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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 2017**

### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors. Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange 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 Stock 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](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 2017, together with the comparative figures for the corresponding period in year 2016, as follows:

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

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	3	1,277	1,385	5,228	3,769
Cost of sales		(74)	(55)	(228)	(191)
Gross profit		1,203	1,330	5,000	3,578
Other income and gains		3	148	69	398
Administrative expenses		(22,436)	(17,783)	(58,617)	(67,895)
Changes in fair values of investment properties, net		600	1,100	3,770	(1,100)
Changes in fair values of investments held for trading		(366)	(75)	(17,066)	(69,971)
Gain (loss) on disposals of investments held for trading		36,267	(9,933)	7,589	(19,776)
Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss		(646)	(679)	3,508	(6,260)
Gain on redemption of convertible instruments		–	–	1,333	–
Gain on disposal of available- for-sale financial assets		–	–	1,108	–
Changes in fair values of derivative financial liabilities		–	3	–	8,125
(Loss) gain on disposal of a subsidiary		(5,756)	–	(5,756)	2,340
Loss on disposal of an associate		–	–	(770)	–
Share of loss of an associate		–	–	–	(62)
Share of profit of a joint venture		961	882	2,840	2,995
Operating profit (loss)		9,830	(25,007)	(56,992)	(147,628)
Finance costs	4	(4,612)	(8,284)	(15,489)	(26,680)
Profit (loss) before tax		5,218	(33,291)	(72,481)	(174,308)
Income tax expense	5	–	–	–	–
Profit (loss) for the period	6	<u>5,218</u>	<u>(33,291)</u>	<u>(72,481)</u>	<u>(174,308)</u>

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2017	2016	2017	2016
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other comprehensive income (expense)</b>					
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Exchange differences arising on translating foreign operations		2	–	2	(3)
Fair value gain on available-for-sale financial assets		–	2,047	–	207
Other comprehensive income for the period, net of income tax		2	2,047	2	204
Total comprehensive income (expense) for the period		<b>5,220</b>	<b>(31,244)</b>	<b>(72,479)</b>	<b>(174,104)</b>
Profit (loss) for the period attributable to :					
Owners of the Company		<b>5,040</b>	(33,454)	<b>(73,007)</b>	(174,863)
Non-controlling interests		<b>178</b>	163	<b>526</b>	555
		<b>5,218</b>	<b>(33,291)</b>	<b>(72,481)</b>	<b>(174,308)</b>
Total comprehensive income (expense) attributable to:					
Owners of the Company		<b>5,042</b>	(31,407)	<b>(73,005)</b>	(174,659)
Non-controlling interests		<b>178</b>	163	<b>526</b>	555
		<b>5,220</b>	<b>(31,244)</b>	<b>(72,479)</b>	<b>(174,104)</b>
Earnings (loss) per share	8		(Restated)		(Restated)
Basic (HK cents)		<b>2.92 cents</b>	(33.50) cents	<b>(53.96) cents</b>	(176.81) cents
Diluted (HK cents)		<b>2.92 cents</b>	(33.50) cents	<b>(53.96) cents</b>	(176.81) cents

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017

	Attributable to owners of the Company										
	Share capital	Share premium	Contributed surplus	Share options reserve	Investment revaluation reserve	Convertible loan notes reserve	Translation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016 (audited)	982	3,042,196	7,914	3,590	22,752	3,368	1,747	(2,253,922)	828,627	28,219	856,846
(Loss) profit for the period	-	-	-	-	-	-	-	(174,863)	(174,863)	555	(174,308)
Other comprehensive (expense) income for the period	-	-	-	-	207	-	(3)	-	204	-	204
Total comprehensive (expense) income for the period	-	-	-	-	207	-	(3)	(174,863)	(174,659)	555	(174,104)
Exercise of share option	3	2,810	-	(977)	-	-	-	-	1,836	-	1,836
Settle other payables upon issue of shares	14	7,694	-	-	-	(3,368)	-	-	4,340	-	4,340
Recognition of share-based payment expenses	-	-	-	12,524	-	-	-	-	12,524	-	12,524
At 30 September 2016 (unaudited)	<u>999</u>	<u>3,052,700</u>	<u>7,914</u>	<u>15,137</u>	<u>22,959</u>	<u>-</u>	<u>1,744</u>	<u>(2,428,785)</u>	<u>672,668</u>	<u>28,774</u>	<u>701,442</u>
At 1 January 2017 (audited)	<u>1,149</u>	<u>3,087,530</u>	<u>7,914</u>	<u>15,137</u>	<u>24,304</u>	<u>-</u>	<u>(8,923)</u>	<u>(2,601,482)</u>	<u>525,629</u>	<u>30,233</u>	<u>555,862</u>
(Loss) profit for the period	-	-	-	-	-	-	-	(73,007)	(73,007)	526	(72,481)
Other comprehensive (expense) income for the period	-	-	-	-	-	-	2	-	2	-	2
Total comprehensive (expense) income 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)	-	-	-	-	-	-	(2,264)	-	(2,264)
Disposal of available-for- sale financial assets	-	-	-	-	(24,304)	-	-	24,304	-	-	-
At 30 September 2017 (unaudited)	<u>1,723</u>	<u>3,142,131</u>	<u>7,914</u>	<u>15,137</u>	<u>-</u>	<u>-</u>	<u>(8,921)</u>	<u>(2,650,185)</u>	<u>507,799</u>	<u>30,759</u>	<u>538,558</u>

# 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 the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock 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.

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 results for the nine months ended 30 September 2017 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 results for the nine months ended 30 September 2017 are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2016 (the “**2016 Financial Statements**”), except for the new and revised HKFRSs (“**New HKFRSs**”) issued by HKICPA which have become effective in this period as detailed in notes of the 2016 Financial Statements. The Directors believe that the application of the New HKFRSs has no material impact on the unaudited condensed consolidated financial results for the nine months ended 30 September 2017.

### 3. REVENUE

Revenue represents the aggregate of rental income, interest income from loan financing 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	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Rental income	612	612	1,916	1,836
Interest income from provision of loan financing	665	773	3,312	1,933
Dividend income from investments held for trading	—	—	—	—
	<u>1,277</u>	<u>1,385</u>	<u>5,228</u>	<u>3,769</u>

### 4. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:				
Bank borrowings	148	154	449	465
Other loans	3,153	4,459	10,935	9,083
Bond payables	956	955	2,843	2,846
Convertible loan notes at effective interest rates	—	—	—	6,884
Obligations under finance leases	12	19	40	63
Margin accounts	343	2,697	1,222	7,339
	<u>4,612</u>	<u>8,284</u>	<u>15,489</u>	<u>26,680</u>

## 5. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the nine months ended 30 September 2017 and 30 September 2016.

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 2017 and 30 September 2016.

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

## 6. PROFIT (LOSS) FOR THE PERIOD

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss) for the period has been arrived at after charging (crediting):				
Staff costs including				
directors' emoluments:				
Salaries and allowances	7,066	7,012	20,817	21,715
Contributions to retirement benefits scheme	175	163	458	462
Share-based payment expenses	–	–	–	6,399
	7,241	7,175	21,275	34,701
Depreciation of plant and equipment	886	697	2,333	2,007
Amortisation of prepaid lease payment	97	97	291	291
Minimum lease payments under operating leases	1,035	1,960	4,140	6,289
Share-based payment expenses-consultants	–	–	–	6,125
Gross rental income	(612)	(612)	(1,916)	(1,836)
Less: outgoings (included in cost of sales)	74	55	228	191
Net rental income	<u>(538)</u>	<u>(557)</u>	<u>(1,688)</u>	<u>(1,645)</u>

## 7. DIVIDEND

No dividend was paid or proposed for ordinary shares of the Company during the nine months ended 30 September 2017 and 30 September 2016, nor has any dividend been proposed since 30 September 2017 and up to the date of this announcement.

## 8. EARNINGS (LOSS) PER SHARE

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Profit (loss)</b>				
Profit (loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	5,040	(33,454)	(73,007)	(174,863)
	'000	'000 (Restated)	'000	'000 (Restated)
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	172,317	99,878	135,287	98,898
Effect of dilutive potential ordinary shares	N/A	N/A	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	<u>172,317</u>	<u>99,878</u>	<u>135,287</u>	<u>98,898</u>

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for 2016 has been adjusted for the effect of open offer and share consolidation effective from 26 June 2017 and 27 June 2017 respectively.

The denominator for the purpose of calculating basic and diluted loss per share for the three months and nine months ended 30 September 2016 has been restated to reflect the effect of the share consolidation during the nine months ended 30 September 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 2017 and 30 September 2016 and the three months ended 30 September 2016 does not assume the exercise of the Company's share options, the options to subscribe convertible bonds and the conversion of the Company's outstanding convertible loan notes, 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 2017, the Group recorded a revenue of approximately HK\$5,228,000 (nine months ended 30 September 2016: approximately HK\$3,769,000), representing an increase of approximately 38.7% as compared with the last corresponding period. The increase in revenue was mainly due to the increase in loan interest income.

Administrative expenses for the nine months ended 30 September 2017 was approximately HK\$58,617,000 (nine months ended 30 September 2016: approximately HK\$67,895,000), representing a decrease of 13.7% as compared with the last corresponding period. The decrease in administrative expenses was mainly due to share-based payment expenses of approximately HK\$12,524,000 in respect of the share options granted on 23 March 2016.

The Group recorded a profit for the three months ended 30 September 2017 approximately HK\$5,218,000 (three months ended 30 September 2016: loss approximately HK\$33,291,000). Profit for the third quarter of 2017 was mainly attributable to the gain on disposals of investments held for trading of approximately HK\$36,267,000. However, the loss attributable to the owners of the Company for the nine months ended 30 September 2017 aggregated at approximately HK\$73,007,000 (nine months ended 30 September 2016: approximately HK\$174,863,000). The basic loss per share for the nine months ended 30 September 2017 was HK53.96 cents (nine months ended 30 September 2016: HK176.81 cents (restated)).

## Business Review and Outlook

The Group recorded a rental income of approximately HK\$1,916,000 for the nine months ended 30 September 2017 (nine months ended 30 September 2016: approximately HK\$1,836,000) through properties leasing. As at 30 September 2017, the fair value of investment properties of the Group amounted to approximately HK\$115,010,000 (31 December 2016: approximately HK\$111,240,000). Given that the economic fundamentals are relatively strong, and that the property prices and leasing are likely to remain stable, in October 2017, the Group and an independent third party entered into a preliminary sale and purchase agreement in relation to the disposal of a residential property in Hong Kong in order to optimize its investment portfolio. Nevertheless, the management remains cautiously optimistic about the property market and will look for desirable property investment opportunities.

The stock market of Hong Kong has recently reached its heights that performance of securities trading continued to be improving. The Group recorded a loss arising from the fair values changes of investments held for trading of approximately HK\$17,066,000 (nine months ended 30 September 2016: approximately HK\$69,971,000) and a gain on disposals of investments held for trading of approximately HK\$7,589,000 (nine months ended 30 September 2016: loss approximately HK\$19,776,000). As at 30 September 2017, the Group had investments held for trading amounted to approximately HK\$172,381,000, representing 23.9% of the total assets of the Group (31 December 2016: approximately HK\$222,868,000).

The Group held an investment portfolio, classified as available-for-sale financial assets with carrying value of approximately HK\$5,892,000 as at 30 September 2017 (31 December 2016: approximately HK\$45,682,000) and held certain unlisted convertible bonds issued by a Hong Kong listed company and a private company, classified as convertible instruments designated as financial assets at fair value through profit or loss, amounted to approximately HK\$28,692,000 as at 30 September 2017 (31 December 2016: approximately HK\$38,851,000). The convertible instruments were measured at fair value at the reporting end date. In this regard, a gain arising from fair value changes of convertible instruments designated as financial assets at fair value through profit or loss of approximately HK\$3,508,000 was recorded during the nine months ended 30 September 2017 (nine months ended 30 September 2016: a loss of approximately HK\$6,260,000).

In view of the carrying value of the investments held for trading, available-for-sale investments and convertible instruments designated as financial assets at fair value through profit or loss, representing 28.7% of the total assets of the Group, their performance was affected by the Hong Kong stock market and global economic environment. The Group will from time to time closely monitor the performance of the investment portfolio.

The loan financing business remained stable. The Group generated an interest income of approximately HK\$3,312,000 during the period under review (nine months ended 30 September 2016: approximately HK\$1,933,000) representing an increase of approximately 71.3%. In the past few months, the management explored the loan portfolio with shorter term and higher interest rate to increase its interest income.

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 10 April 2017, the Company proposed to raise not less than approximately HK\$57,439,171 and not more than approximately HK\$71,212,171, before expenses, by way of the open offer, by issuing not less than 574,391,712 offer Shares and not more than 712,121,712 offer Shares at the subscription price of HK\$0.1 per offer share on the basis of one (1) offer Share for every two (2) existing Shares held by the qualifying shareholders of the Company on the record date (the “**Open Offer**”).

Completion of the Open Offer took place on 26 June 2017. An aggregate of 574,391,712 offer Shares were issued and net proceeds of approximately HK\$54,200,000 were raised by way of the Open Offer. The Company used the net proceeds from the Open Offer as to (i) approximately HK\$39,100,000 for the repayment of the short-term borrowings due from the Group to certain financial institutions; (ii) approximately HK\$4,100,000 for settlement of the outstanding operation payable of the Group; and (iii) approximately HK\$11,000,000 for staff costs and other administrative expenses of the Group.

Details of the Open Offer are set out in the announcements of the Company dated 10 April 2017, 12 April 2017, 21 April 2017, 2 May 2017, 19 May 2017, 26 May 2017 and 23 June 2017 and the prospectus of the Company dated 2 June 2017.

## **Liquidity and Financial Resources**

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

The Group had cash and cash equivalent of approximately HK\$36,582,000 (31 December 2016: approximately HK\$34,489,000), interest-bearing borrowings of approximately HK\$104,425,000 (31 December 2016: approximately HK\$149,807,000) and bonds payable of HK\$50,000,000 (31 December 2016: HK\$50,000,000).

As at 30 September 2017, the gearing ratio (measured as total liabilities to total assets) was approximately 25.30% (31 December 2016: approximately 30.5%).

## **Capital Structure**

The Company announced on 10 April 2017 to put forward a proposal, to implement a share consolidation on the basis that every ten (10) Shares of HK\$0.001 each in the issued and unissued capital of the Company be consolidated into one (1) consolidated Share of HK\$0.01 each (the “**Share Consolidation**”) and to change the board lot size for trading in the Shares on the Stock Exchange from 2,000 Shares (or 200 consolidated Shares upon the Share Consolidation becoming effective) to 1,800 consolidated Shares after and conditional upon the Share Consolidation becoming effective.

The Share Consolidation was approved by the shareholders of the Company at the special general meeting held on 26 June 2017. Subsequently, as on 27 June 2017, the Company’s number of issued Shares was changed from 1,723,175,137 of HK\$0.001 each to 172,317,513 of HK\$0.01 each and the board lot size for trading in the Shares on the Stock Exchange was changed from 2,000 Shares to 1,800 consolidation Shares.

For details, please refer to the announcements of the Company dated 10 April 2017, 12 April 2017, 21 April 2017, 2 May 2017, 19 May 2017, 26 May 2017 and 26 June 2017 and the circular of the Company dated 7 June 2017.

As at 30 September 2017 after the Open Offer and Share Consolidation, the Company’s issued Share capital was HK\$1,723,175 (31 December 2016: HK\$1,148,783), divided into 172,317,513 Shares of HK\$0.01 each (31 December 2016: 1,148,783,425 Shares of HK\$0.001 each).

## **Capital Commitments**

As at 30 September 2017, the Group had capital commitment of HK\$3,000,000 (2016: Nil) in respect of entering into a joint venture agreement to carry out financial related business which is now at the initial stage.

## **Contingent Liabilities**

As at 30 September 2017 and 31 December 2016, the Group did not have any material contingent liability.

## **Charges on Assets**

As at 30 September 2017, investment properties and certain investments held for trading with an aggregate carrying value of approximately HK\$200,658,000 (31 December 2016: approximately HK\$193,455,000) had been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

## **Significant Investment**

Save as disclosed in this announcement, the Group did not have any other significant investment during the nine months ended 30 September 2017.

## **Material Acquisition and Disposal**

Save as disclosed in this announcement, during the nine months ended 30 September 2017, the Group did not process any material acquisition or disposal.

## **Litigations**

Reference is made to pages 12 and 13 of 2016 Annual Report of the Company which discloses particulars on and progress of litigation matters in which the Company and/or its subsidiaries are involved.

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 Dynasty Hotel 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**”) a wholly-owned subsidiary of the Company and TEC and other moneys payable by HKE to GML and/or its affiliated companies is HK\$164,737,720 (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 2017, 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.

### **Events after the Reporting Period**

On 17 October 2017, the Company and the placing agent entered into a placing agreement pursuant to which the placing agent conditionally agreed to procure on a best effort basis to not less than six independent placees to subscribe for up to 34,460,000 placing shares at the placing price of HK\$0.8 per placing share under the general mandate. As at the date hereof, the placing has not been completed. Further details are set out in the announcement of the Company dated 17 October 2017.

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

As at 30 September 2017, 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 Stock 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 Stock 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	Number of underlying Shares	Approximate percentage of the issued share capital
Lam Kwok Hing Wilfred	Beneficial owner	–	297,870 <i>(Note)</i>	0.17%
Chan Shui Sheung Ivy	Beneficial owner	9,000	297,870 <i>(Note)</i>	0.17%
Mok Tsan San	Beneficial owner	–	297,870 <i>(Note)</i>	0.17%

#### *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. This exercise price and the underlying Shares stated above have been adjusted to reflect the impact of the Open Offer and the Share Consolidation.

Save as disclosed above, as at 30 September 2017, 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 Stock 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 2017 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 2017.

## **SUBSTANTIAL SHAREHOLDERS**

Save as disclosed in the above headed "Director's and Chief Executives' Interests in Shares of the Company", 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 2017 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 Stock 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 2017.



## **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 2017.

## **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 results announcement for the nine months ended 30 September 2017 and has provided comments thereon.

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

Hong Kong, 8 November 2017

*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.*