



華人策略控股有限公司

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Chinese Strategic Holdings Limited

*(Incorporated in Bermuda with limited liability)*

Stock Code: 8089

**Third Quarterly Report 2013**

## 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 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 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 report 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 report misleading.*

*This report will remain on the “Latest Company Reports” 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 three months and nine months ended 30 September 2013, together with the comparative figures for the corresponding periods in year 2012, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Continuing operations</b>					
Turnover	3	<b>30,807</b>	27,221	<b>83,018</b>	111,029
Revenue	3	<b>2,739</b>	2,904	<b>8,688</b>	11,590
Cost of sales		<b>(55)</b>	(17)	<b>(163)</b>	(54)
Gross profit		<b>2,684</b>	2,887	<b>8,525</b>	11,536
Other income	3	<b>1,761</b>	4,630	<b>2,298</b>	4,796
Administrative expenses		<b>(10,952)</b>	(10,994)	<b>(31,605)</b>	(34,873)
Fair value changes in investment properties		-	980	<b>2,902</b>	4,645
(Loss) gain arising from fair value changes of investments held for trading		<b>(10,984)</b>	8,819	<b>(14,662)</b>	(8,639)
Gain on disposals of investments held for trading		<b>13,730</b>	6,892	<b>17,051</b>	19,320
Gain (loss) arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss		<b>2,120</b>	(10,545)	<b>8,187</b>	(13,106)
Gain arising from fair value changes of derivative financial liabilities		-	-	<b>2,334</b>	-
Gain on derecognition of derivative financial liabilities		-	-	<b>2,233</b>	-
Gain on disposal of subsidiaries		-	-	-	33
Reversal of impairment loss (impairment loss) on interest in an associate		<b>13,282</b>	-	<b>(11,069)</b>	-
Share of profit of a jointly controlled entity		<b>521</b>	291	<b>1,997</b>	1,037
Finance costs	4	<b>(326)</b>	(612)	<b>(987)</b>	(2,048)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit (loss) before tax	5	11,836	2,348	(12,796)	(17,299)
Income tax expense	6	-	-	-	-
Profit (loss) for the period from continuing operations		11,836	2,348	(12,796)	(17,299)
<b>Discontinued operations</b>					
Profit for the period from discontinued operations		-	-	-	464
Profit (loss) for the period		11,836	2,348	(12,796)	(16,835)
<b>Other comprehensive income (expense)</b>					
Item that may be reclassified subsequently to profit or loss:					
Fair value gain on available-for-sale financial assets		2,038	68	5,103	1,899
Exchange differences on translating foreign operations		(19)	(105)	2,911	(316)
Other comprehensive income (expense) for the period		2,019	(37)	8,014	1,583
Total comprehensive income (expense) for the period		13,855	2,311	(4,782)	(15,252)

	Three months ended 30 September 2013 (Unaudited) HK\$'000		Nine months ended 30 September 2013 (Unaudited) HK\$'000	
	Note	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Profit (loss) for the period attributable to owners of the Company				
– from continuing operations		11,580	2,294	(13,166)
– from discontinued operations		–	–	464
Profit (loss) for the period attributable to owners of the Company		11,580	2,294	(13,166)
Profit for the period attributable to non-controlling interests from continuing operations		256	54	192
		11,836	2,348	(12,796)
Total comprehensive income (expense) attributable to:				
Owners of the Company		13,599	2,257	(5,151)
Non-controlling interests		256	54	192
		13,855	2,311	(4,782)
Basic and diluted earnings (loss) per share	8			
From continuing and discontinued operations		1.71 cents	0.34 cent	(1.95 cents)
From continuing operations		1.71 cents	0.34 cent	(1.95 cents)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2013

	Share capital HK\$'000	Share premium HK\$'000	Share contributed surplus HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Warrant reserve HK\$'000	Convertible bond options reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2012 (audited and restated)	676	2,901,300	7,914	3,590	1,312	3,300	-	13,363	(2,107,537)	823,918	20,319	844,237
Loss for the period	-	-	-	-	-	-	-	-	(17,027)	(17,027)	192	(16,835)
Other comprehensive income (expense) for the period:												
Fair value gain on available-for-sale financial assets	-	-	-	-	1,899	-	-	-	-	1,899	-	1,899
Exchange difference on translation of foreign operations	-	-	-	-	-	-	-	(316)	-	(316)	-	(316)
Total comprehensive income (expense) for the period	-	-	-	-	1,899	-	-	(316)	-	1,583	-	1,583
Issue of convertible bond options (net of expense)	-	-	-	-	-	-	1,215	-	-	1,215	-	1,215
At 30 September 2012 (unaudited and restated)	676	2,901,300	7,914	3,590	3,211	3,300	1,215	13,047	(2,124,564)	809,689	20,511	830,200

	Share capital HK\$'000	Share premium HK\$'000	Share contributed surplus HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Warrant reserve HK\$'000	Convertible bond options reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2013 (audited)	676	2,901,300	7,914	3,590	5,325	-	-	13,662	(2,160,749)	771,718	22,681	794,399
Loss for the period	-	-	-	-	-	-	-	-	(13,166)	(13,166)	370	(12,796)
Other comprehensive income (expense) for the period:												
Fair value gain on available-for-sale financial assets	-	-	-	-	5,103	-	-	-	-	5,103	-	5,103
Exchange difference on translation of foreign operations	-	-	-	-	-	-	-	2,911	-	2,911	-	2,911
Total comprehensive income (expense) for the period	-	-	-	-	5,103	-	-	2,911	-	8,014	-	8,014
Issue of non-listed warrants	-	-	-	-	-	1,350	-	-	-	1,350	-	1,350
At 30 September 2013 (unaudited)	676	2,901,300	7,914	3,590	10,428	1,350	-	16,573	(2,173,915)	767,916	23,051	790,967

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

### 1. COMPANY INFORMATION

The Company was incorporated in Bermuda on 25 February 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. Its issued shares are listed on GEM of 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 2/F, SBI Centre, Nos. 54-58 Des Voeux Road Central, Hong Kong.

The Company is an investment holding company. 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 2013 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 results 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 are consistent with those used in the Group's annual financial statements for the year ended 31 December 2012 (the "2012 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 2012 Financial Statements. The Directors of the Company believe that the application of the new and revised HKFRSs has no material impact on the unaudited condensed consolidated financial results for the nine months ended 30 September 2013.

With reference to note 2 to the 2012 Financial Statements set out in the Company's 2012 Annual Report, the Group has applied retrospectively the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets resulted in the deferred tax liabilities of the Group being increased by HK\$14,947,000 as at 31 December 2011, with the corresponding adjustment being recognized in accumulated losses of HK\$14,470,000 and transaction reserve of HK\$477,000. Accordingly, the unaudited condensed consolidated statement of changes in equity for the nine months ended 30 September 2012 had been restated.



### 3. TURNOVER, REVENUE AND OTHER INCOME

Turnover represents the aggregate of rental income; net proceeds from the disposal of investments held for trading; and interest income from the provision of loan financing during the period. The analysis of the Group's turnover, revenue and other income for the period is as follows:

	Three months ended		Nine months ended	
	30 September 2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	30 September 2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Operating divisions</b>				
<b>Turnover</b>				
Properties investments	707	431	2,121	1,299
Securities trading	28,070	24,323	74,345	99,445
Loan financing	2,030	2,467	6,552	10,285
	<b>30,807</b>	27,221	<b>83,018</b>	111,029
<b>Segment revenue from external customers</b>				
Properties investments	707	431	2,121	1,299
Dividend income from investments held for trading	2	6	15	6
Loan financing	2,030	2,467	6,552	10,285
	<b>2,739</b>	2,904	<b>8,688</b>	11,590
<b>Other income</b>				
Bank interest income	2	7	43	20
Interest on promissory note receivable/convertible instruments	1,759	3,664	2,255	3,817
Other interest income	-	959	-	959
	<b>1,761</b>	4,630	<b>2,298</b>	4,796

#### 4. FINANCE COSTS

	Three months ended 30 September 2013		Nine months ended 30 September 2013	
	(Unaudited) HK\$'000	(Unaudited) 2012 HK\$'000	(Unaudited) HK\$'000	(Unaudited) 2012 HK\$'000
<b>Continuing operations</b>				
Interest on:				
Bank borrowings not wholly repayable within five years	176	153	530	235
Promissory note payables	-	309	-	1,620
Bond payables	150	150	457	193
	<b>326</b>	612	<b>987</b>	2,048

#### 5. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax has been arrived at after charging/(crediting):

	Three months ended 30 September 2013		Nine months ended 30 September 2013	
	(Unaudited) HK\$'000	(Unaudited) 2012 HK\$'000	(Unaudited) HK\$'000	(Unaudited) 2012 HK\$'000
<b>Continuing operations</b>				
Staff costs including directors' emoluments:				
Salaries and allowances	4,560	4,175	14,073	13,784
Contributions to retirement benefits scheme	108	127	418	402
	<b>4,668</b>	4,302	<b>14,491</b>	14,186
Depreciation of plant and equipment	574	582	1,729	1,935
Minimum lease payments under operating leases	1,024	1,265	3,434	3,669
(Reversal of impairment loss) impairment loss on interest in an associate	(13,282)	-	11,069	-
Gross rental income	(707)	(431)	(2,121)	(1,299)
Less: outgoings (included in cost of sales)	55	17	163	54
Net rental income	(652)	(414)	(1,958)	(1,245)

## 6. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the three months and nine months ended 30 September 2013 and 30 September 2012.

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% from 1 January 2008 onwards.

## 7. DIVIDEND

No dividend was paid or proposed during the nine months ended 30 September 2013 and 30 September 2012, nor has any dividend been proposed since 30 September 2013 and up to the date of this report.

## 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 30 September 2013 (Unaudited) HK\$'000		Nine months ended 30 September 2013 (Unaudited) HK\$'000	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Profit (loss) for the period attributable to owners of the company from continuing and discontinued operations	<b>11,580</b>	2,294	<b>(13,166)</b>	(17,027)
from continuing operations	<b>11,580</b>	2,294	<b>(13,166)</b>	(17,491)
	<b>'000</b>	'000	<b>'000</b>	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	<b>675,814</b>	675,814	<b>675,814</b>	675,814

The computation of diluted earnings (loss) per share does not assume the exercise of the Company's share options, non-listed warrants and the option to subscribe convertible bond because the respective exercise price of the Company's share options, non-listed warrants and option to subscribe convertible bond were higher than the average market price of the Company's shares for both periods in 2013 and 2012.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Performance

For the nine months ended 30 September 2013, the Group recorded a turnover of approximately HK\$83,018,000 (nine months ended 30 September 2012: approximately HK\$111,029,000), representing a decrease of approximately 25.2% as compared with the last corresponding period. The decrease in turnover was mainly attributable to decrease in volume in securities trading.

Administrative expenses for the nine months ended 30 September 2013 was approximately HK\$31,605,000 (nine months ended 30 September 2012: approximately HK\$34,873,000), representing a decrease of 9.4% as compared with the last corresponding period.

The Group recorded a profit of HK\$11,836,000 for the three months ended 30 September 2013 (three months ended 30 September 2012: profit of HK\$2,348,000) mainly due to (i) increase in gain on disposal of investments held for trading, (ii) decrease in loss arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss, and (iii) reversal of impairment loss on interest in an associate. The reversal of impairment loss on interest in an associate results from increase in share price of the associate during the period.

The loss attributable to the owners of the Company for the nine months ended 30 September 2013 aggregated at approximately HK\$13,166,000 (nine months ended 30 September 2012: approximately HK\$17,027,000). The basic loss per share for the nine months ended 30 September 2013 was approximately HK1.95 cents (nine months ended 30 September 2012: loss per share approximately HK2.52 cents).

### Business Review and Outlook

Through renting out of the properties, the Group recorded a rental income of approximately HK\$2,121,000 for the nine months ended 30 September 2013 (nine months ended 30 September 2012: approximately HK\$1,299,000). As at 30 September 2013, the Group held properties in Hong Kong and in Mainland China for investment purposes with total value amounted to approximately HK\$214,884,000 (31 December 2012: approximately HK\$209,157,000). In spite of the current stringent control measures in both Hong Kong and Mainland China, the Group remains confident of the longer term prospects for the property markets. The Board will continue to prudently implement its investment strategies for the benefit of the Group and all its shareholders.

Segmental turnover of the securities trading business for the nine months ended 30 September 2013 was HK\$74,345,000 (nine months ended 30 September 2012: approximately HK\$99,445,000). The Group recorded a loss arising from the fair value changes of investments held for trading of approximately HK\$14,662,000 (nine months ended 30 September 2012: approximately HK\$8,639,000) and a gain on disposals of investments held for trading of approximately HK\$17,051,000 (nine months ended 30 September 2012: approximately HK\$19,320,000). As at 30 September 2013, the Group held investments held for trading amount to approximately HK\$105,110,000 (31 December 2012: approximately HK\$117,399,000). Given the uncertain in the global financial market, the management will remain cautious in its investment strategy.

The loan financing business generated an interest income of approximately HK\$6,552,000 to the Group during the period under review (nine months ended 30 September 2012: approximately HK\$10,285,000) representing a decrease of approximately 36.3%, as the management has adopted a conservative approach in loan financing business during the period.

The Group will continue to adopt a positive but prudent approach in managing its financial resources and towards its investment strategy in exploring the feasibility of expansion into other business segments.

### **Fund Raising Activities**

On 27 May 2013, the Company entered into a placing agreement with FT Securities Limited as the placing agent, pursuant to which the placing agent conditionally agreed to place, on a best effort basis, up to 135,000,000 warrants to not less than six independent placees at the issue price of HK\$0.01 per warrant. The subscription price is HK\$0.20 (subject to adjustments) per subscription share. The gross proceeds and net proceeds of the placing are approximately HK\$1,350,000 and HK\$1,074,200 respectively, representing a net issue price of approximately HK\$0.008 per warrant. Assuming the full exercise of the subscription rights attaching to the warrants, it is expected approximately HK\$28,350,000 will be raised. The total net proceeds of approximately HK\$28,074,200 (with a net subscription price of HK\$0.208 per warrant). The net proceeds from the placing are intended to be used as general working capital of the Group. The placing of 135,000,000 warrants was completed on 6 June 2013. For details, please refer to the announcements of the Company dated 27 May 2013 and 6 June 2013.

The Company has placed 27 options at a premium of HK\$50,000 per option on 30 May 2012. Upon exercise of each of the option, the optionholder is entitled to subscribe for the convertible bonds of the Company in the principal amount of HK\$1,000,000 at the subscription price of HK\$1,000,000. Details are set out in the Company's announcements date 30 May 2012 and 23 July 2012. The options have lapsed on 30 June 2013.

## **Liquidity and Financial Resources**

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

As at 30 September 2013, the Group had cash and cash equivalent of approximately HK\$66,102,000 (31 December 2012: approximately HK\$43,363,000) and had interest-bearing bank borrowings of approximately HK\$29,271,000 (31 December 2012: HK\$30,210,000).

As at 30 September 2013, the gearing ratio (measured as total liabilities to total assets) was 10.6% (31 December 2012: 10%)

## **Capital Structure**

As at 30 September 2013 and 31 December 2012, the Company's issued share capital was HK\$675,814, divided into 675,814,000 shares of HK\$0.001 each.

## **Capital Commitments**

As at 30 September 2013, the Group did not have any capital commitments (31 December 2012: nil).

## **Contingent Liabilities**

As at 30 September 2013, the Group did not have any material contingent liability (31 December 2012: nil).

## **Charges on Assets**

As at 30 September 2013, investment properties of the Group with an aggregate carrying value of HK\$78,400,000 have been pledged to banks to secure the credit facilities granted to the Group and third parties (31 December 2012: HK\$76,300,000)

## **Material Acquisitions and Disposals**

On 11 January 2013, the Group disposed the convertible bonds issued by Long Success International (Holdings) Limited in the principal amount of HK\$20,000,000 at a cash consideration of HK\$21,000,000. Further details of the disposal were set out in the announcement of the Company dated 11 January 2013.

On 30 January 2013, the Group entered into a subscription agreement among Teamedics Enterprise (Holdings) Co., Limited (“Teamedics Enterprise”), Mr. Wong Chi To, Alex as a guarantor for subscription of the convertible bonds issued by Teamedics Enterprise in the principal amount of HK\$8,000,000 by way of procuring the bank to grant and provide to Teamedics Enterprise and/or its subsidiary, credit facilities of HK\$8,000,000 which will be secured by a deed of mortgage on a property held by a non wholly-owned subsidiary of the Company. Further details of the subscription were set out in the announcement of the Company dated 30 January 2013.

On 22 February 2013, Top Status International Limited (“Top Status”), a wholly-owned subsidiary of the Company, subscribed for the convertible bonds issued by China Eco-Farming Limited (“CEF”) in the principal amount of HK\$34,500,000 at an initial conversion price of HK\$0.01, up to a maximum of 3,450,000,000 conversion shares, representing approximately 54.06% of the issued share capital of CEF as enlarged by the issue of the conversion shares. The subscription of the convertible bonds in the principal amount of HK\$34,500,000 was completed on 30 April 2013. Further details of the subscription and proposed loan facility were set out in the announcements of the Company dated 22 Feb 2013, 19 March 2013 and 30 April 2013.

On 2 August 2013, Top Status entered into an agreement to dispose the convertible bonds issued by CEF in the principal amount of HK\$34,500,000, representing 54.06% of the issued share capital of CEF as enlarged by the issue of the conversion shares, at a cash consideration of HK\$40,000,000. The disposal constitutes a major and connected transaction of the Company and is conditional upon the approval of the independent shareholders of the Company. Further details please refer to the Company’s announcements dated 2 August 2013, 13 September 2013, 11 October 2013 and 8 November 2013. As at the date hereof, the disposal is not yet completed.

## **Litigations**

With reference to the litigations of the Group, Fameway Finance Limited (“Fameway”), a wholly-owned subsidiary of the Company carrying on business as a licensed money lender in Hong Kong, has obtained judgments in five (5) of its claims against the borrowers concerned. Fameway is now seeking legal advice on enforcement.

Meanwhile, the Company and King Perfection Limited have obtained judgment in a separate matter but one of the judgment debtors has been wound up. The Company and King Perfection Limited are seeking legal advice on enforcement and other relevant issues.

As previously reported, a writ of summons was issued in the High Court of the Hong Kong Special Administrative Region ("the Court") on 26 April 2013 against the Company as the 2nd Defendant as well as another company which was previously a wholly-owned subsidiary of the Company as the 1st Defendant claiming for, *inter alia*, an aggregate sum of RMB5,188,732,500.00. Under legal advice, the Company has made an application to strike out the alleged claims set out in the writ of summons on 31 July 2013. The Court has given directions for the filing of evidence and further conduct of the application on 6 September 2013. The Company has filed its supporting evidence and will fix the hearing date of the application accordingly.

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

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

As at 30 September 2013, 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 held	Approximate percentage of the issued share capital
Chan Shui Sheung Ivy	Beneficial owner	60,000	0.01%

Save as disclosed above, as at 30 September 2013, 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 2013 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 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 2013.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2013, 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 Stock Exchange were as follows:

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

Name of Shareholders	Capacity	Number of shares	Number of underlying shares	Approximate percentage of interests
Chinese Capital Management Limited	Beneficial owner	–	134,000,000 <i>(note 1)</i>	19.83%
PME Group Limited	Interest of corporation controlled	67,294,000 <i>(note 2)</i>	–	9.96%
Sunbright Asia Limited	Beneficial owner	61,500,000 <i>(note 2)</i>	–	9.10%
Well Support Limited	Beneficial owner	67,081,466 <i>(note 3)</i>	–	9.93%
Liu Yi Dong	Trustee of Liu Yi Dong Family Trust	67,081,466 <i>(note 3)</i>	–	9.93%

*notes:*

1. This is an interest in underlying shares held directly by Chinese Capital Management Limited in respect of each warrant to subscribe for one subscription share of the Company a maximum of 134,000,000 subscription shares (with an aggregate nominal value of HK\$134,000 of the subscription shares) upon full exercise of the subscription rights attaching to the warrants.
2. In accordance with the corporate substantial shareholder notices filed by PME Group Limited ("PME") and Sunbright Asia Limited ("Sunbright"), these 67,294,000 shares comprised 61,500,000 shares held by Sunbright and 5,794,000 shares held by Betterment Enterprises Limited ("Betterment"). Sunbright is wholly-owned by CR Investment Group Limited ("CR Investment"). Betterment is owned as to 99.49% by Richcom Group Limited ("Richcom"). Richcom is in turn wholly-owned by CR Investment. CR Investment is in turn wholly-owned by PME. Accordingly, each of Richcom, CR Investment and PME is deemed to be interested in the shares held by Betterment; and each of CR Investment and PME is deemed to be interested in the shares held by Sunbright.
3. Pursuant to the corporate substantial shareholder notice filed by Well Support Limited and the individual substantial shareholder notice filed by Liu Yi Dong, these shares are held by Well Support Limited, which is beneficially owned by Liu Yi Dong Family Trust and the beneficiaries of which are Liu Yi Dong and his family members.

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 2013 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 2013.

## PURCHASE, SALE OR REDEMPTION OF SHARES

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 2013.

## COMPLIANCE ADVISER

The Board appointed Proton Capital Limited to be its compliance adviser (“Compliance Adviser”) for a term from 11 September 2013 to 10 September 2015.

As updated and notified by the Compliance Adviser, none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 September 2013 pursuant to Rule 6A.32 of the GEM Listing Rules.

## 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 report and financial statements, interim reports and quarterly reports and to provide comments thereon to the Board.

The Audit Committee has reviewed the Group’s unaudited financial results for the nine months ended 30 September 2013 and has provided comments thereon and this report.

On behalf of the Board  
**Chinese Strategic Holdings Limited**  
**Chan Shui Sheung Ivy**  
*Executive Director*

Hong Kong, 11 November 2013

*As at the date hereof, the executive Directors are Ms. Yeung Sau Han Agnes and Ms. Chan Shui Sheung Ivy, the non-executive Director is Mr. Lam Kwok Hing Wilfred; and the independent non-executive Directors are Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward.*