



華人策略控股有限公司

Chinese Strategic Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 8089

Third Quarterly Report 2014

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 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 2014, together with the comparative figures for the corresponding period in year 2013, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Turnover	3	6,037	30,807	142,169	83,018
Revenue	3	2,340	2,739	6,976	8,688
Direct cost		(59)	(55)	(182)	(163)
Gross profit		2,281	2,684	6,794	8,525
Other income		369	1,761	614	2,298
Administrative expenses		(19,986)	(10,952)	(60,091)	(31,605)
Net (decrease) increase in fair value changes in investment properties		-	-	(656)	2,902
Gain (loss) arising from fair value changes of investments held for trading		21,828	(10,984)	5,845	(14,662)
(Loss) gain on disposals of investments held for trading		(6,901)	13,730	(18,980)	17,051
(Loss) gain arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss		(64,086)	2,120	101,247	8,187
(Loss) gain arising from fair value changes of derivative financial assets/liabilities		(3,608)	-	(3,870)	2,334
Gain arising from derecognition of derivative financial liabilities		-	-	-	2,233
Gain on derecognition of an associate		-	-	36,862	-
Reversal of impairment loss (impairment loss) on interest in an associate		-	13,282	-	(11,069)
Share of profit of a joint venture		716	521	2,055	1,997
Finance costs	4	(8,860)	(326)	(19,360)	(987)
(Loss) profit before tax	5	(78,247)	11,836	50,460	(12,796)
Income tax expense	6	-	-	-	-
(Loss) profit for the period		(78,247)	11,836	50,460	(12,796)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Other comprehensive income (expense)					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Fair value gain on available-for-sale financial assets		2,964	2,038	8,107	5,103
Exchange differences arising on translating foreign operations		(1,068)	(19)	(991)	2,911
Other comprehensive income for the period		1,896	2,019	7,116	8,014
Total comprehensive income (expense) for the period		(76,351)	13,855	57,576	(4,782)
(Loss) profit for the period attributable to:					
Owners of the Company		(78,030)	11,580	52,383	(13,166)
Non-controlling interests		(217)	256	(1,923)	370
		(78,247)	11,836	50,460	(12,796)
Total comprehensive income (expense) attributable to:					
Owners of the Company		(76,134)	13,599	59,499	(5,152)
Non-controlling interests		(217)	256	(1,923)	370
		(76,351)	13,855	57,576	(4,782)
		HK cents	HK cents	HK cents	HK cents
Earnings (loss) per share	8				
Basic		(11.55)	1.71	7.75	(1.95)
Diluted		(11.55)	1.71	6.46	(1.95)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2014

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Warrant reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total 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 for the period	-	-	-	-	5,103	-	2,911	-	8,014	-	8,014
Total comprehensive income (expense) for the period	-	-	-	-	5,103	-	2,911	(13,166)	(5,152)	370	(4,782)
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
At 1 January 2014 (audited)	676	2,901,300	7,914	3,590	13,418	1,350	20,867	(2,183,164)	765,951	24,687	790,638
Profit (loss) for the period	-	-	-	-	-	-	-	52,383	52,383	(1,923)	50,460
Other comprehensive income (expense) for the period	-	-	-	-	8,107	-	(991)	-	7,116	-	7,116
Total comprehensive income (expense) for the period	-	-	-	-	8,107	-	(991)	52,383	59,499	(1,923)	57,576
Acquisition of assets through acquisition of subsidiary	-	-	-	-	-	-	-	-	-	20	20
At 30 September 2014 (unaudited)	676	2,901,300	7,914	3,590	21,525	1,350	19,876	(2,130,781)	825,450	22,784	848,234

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 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 2014 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 2013 (the "2013 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 2013 Financial Statements. The Directors of the Company 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 2014.

3. TURNOVER AND REVENUE

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. Revenue represents the aggregate of rental income; dividend income from investments held for trading and interest income from the provision of loan financing during the period.

The analysis of the Group's turnover and revenue for the period is as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Rental income	757	707	2,266	2,121
Net proceeds from the disposal of investments held for trading	3,697	28,070	135,194	74,345
Interest income from the provision of loan financing	1,583	2,030	4,709	6,552
	6,037	30,807	142,169	83,018
Segment revenue from external customers				
Rental income	757	707	2,266	2,121
Dividend income from investments held for trading	-	2	1	15
Interest income from the provision of loan financing	1,583	2,030	4,709	6,552
	2,340	2,739	6,976	8,688

4. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2014	2013	2014	2013
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:				
Bank borrowings	132	176	507	530
Other borrowings	8,578	-	18,403	-
Bond payables	150	150	450	457
	8,860	326	19,360	987

5. (LOSS) PROFIT BEFORE TAX

(Loss) profit before tax has been arrived at after charging (crediting):

	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Staff costs including directors' emoluments:				
Salaries and allowances	7,260	4,560	19,997	14,073
Contributions to retirement benefits scheme	211	108	566	418
	7,471	4,668	20,563	14,491
Depreciation of plant and equipment	705	574	1,976	1,729
Amortisation of leasehold land	95	-	139	-
Minimum lease payments under operating leases	2,213	1,024	5,137	3,434
Gross rental income	(757)	(707)	(2,266)	(2,121)
Less: outgoings (included in direct cost)	59	55	182	163
Net rental income	(698)	(652)	(2,084)	(1,958)

6. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the nine months ended 30 September 2014 and 30 September 2013.

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 2014 and 30 September 2013, nor has any dividend been proposed since 30 September 2014 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		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Earnings (loss)				
Profit (loss) for the period attributable to owners of the company	(78,030)	11,580	52,383	(13,166)
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	675,814	675,814	675,814	675,814
Effect of dilutive potential ordinary shares in respect of non-listed warrants	-	-	135,000	-
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	675,814	675,814	810,814	675,814

Diluted loss per share for the three months ended 30 September 2014 is the same as the basic loss per share. The computation of the diluted loss per share for the three months ended 30 September 2014 does not assume the exercise of the Company's non-list warrants since their exercises would result in a decrease in loss per share for the three months ended 30 September 2014.

The computation of diluted (loss) earnings per share for the three months and nine months ended 30 September 2014 does not assume the exercise of the Company's share options and the options to subscribe convertible bond because the respective exercise prices of the Company's share options and the conversion prices of the convertible bond were higher than the average market price of the Company's shares during the period.

The computation of diluted earnings (loss) per share for the three months and nine months ended 30 September 2013 does not assume the exercise of the Company's share options and non-listed warrants because the respective exercise prices of the Company's share options and non-listed warrants were higher than the average market price of the Company's shares for the period in 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the nine months ended 30 September 2014, the Group recorded a turnover of approximately HK\$142,169,000 (nine months ended 30 September 2013: approximately HK\$83,018,000), representing an increase of approximately 71.3% as compared with the last corresponding period. The increase in turnover was mainly due to the increase in volume in securities trading.

Administrative expenses for the nine months ended 30 September 2014 was approximately HK\$60,091,000 (nine months ended 30 September 2013: approximately HK\$31,605,000), representing an increase of approximately 90.1% as compared with the last corresponding period. The increase in expenses was mainly due to increase in office rental and staff costs as well as consultancy and professional fees, most of which were incurred in relation to the potential investments and application for a casino resort developer license in Tinian and Saipan in the Commonwealth of the Northern Mariana Islands ("CNMI").

The profit attributable to the owners of the Company for the nine months ended 30 September 2014 aggregated at approximately HK\$52,383,000 (nine months ended 30 September 2013: loss approximately HK\$13,166,000). Profit for the period was mainly attributable to gain arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss. The basic earnings per share for the nine months ended 30 September 2014 was approximately HK7.75 cents (nine months ended 30 September 2013: basic loss per share was approximately HK1.95 cents).

Business Review and Outlook

Through renting out of the properties, the Group recorded a rental income of approximately HK\$2,266,000 for the nine months ended 30 September 2014 (nine months ended 30 September 2013: approximately HK\$2,121,000). As at 30 September 2014, the Group held properties in Hong Kong and in Mainland China for investment purposes with total fair value amounted to approximately HK\$218,356,000 (31 December 2013: approximately HK\$219,964,000).

Segmental turnover of the securities trading business for the nine months ended 30 September 2014 was approximately HK\$135,194,000 (nine months ended 30 September 2013: approximately HK\$74,345,000). The Group recorded a gain arising from the fair value changes of investments held for trading of approximately HK\$5,845,000 (nine months ended 30 September 2013: loss approximately HK\$14,662,000) and a loss on disposals of investments held for trading of approximately HK\$18,980,000 (nine months ended 30 September 2013: gain approximately HK\$17,051,000); a gain arising from fair value changes of convertible instruments designated at financial assets at fair value through profit or loss of approximately HK\$101,247,000 (nine months ended 30 September 2013: approximately HK\$8,187,000). As at 30 September 2014, the Group had investments held for trading amounted to approximately HK\$174,201,000 (31 December 2013: approximately HK\$170,831,000), and convertible instruments designated at financial assets at fair value through profit or loss amounted to approximately HK\$164,860,000 (31 December 2013: approximately HK\$66,612,000).

In view of the recent development in Hong Kong, the Board will adopt a cautious and prudent approach in both properties investments and securities trading business for the benefit of the Group and its shareholders as a whole.

The performance of the loan financing business remained unsatisfactory and the interest income dropped by 28.1% to approximately HK\$4,709,000 during the period under review (nine months ended 30 September 2013: approximately HK\$6,552,000). The effort to expand its customer base has been unsuccessful, hence the management has continued to prudently review its lending practice and loan policy.

Fund Raising Activities

On 18 June 2014, the Group entered into the option placing agreement with Fortune (HK) Securities Limited as placing agent (the "Placing Agent") pursuant to which the Company has conditionally agreed to place and the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six independent placees to subscribe for up to 130 options (the "Options") at a premium of HK\$10,000 per Option. On 27 June 2014, completion took place in which the Options have been fully placed to the placees. The gross proceeds and net proceeds from the placing were approximately HK\$1,300,000 and HK\$918,000 respectively, resulting in the net placing price of approximately HK\$7,000 for each option. The net proceeds from the placing of HK\$918,000 were used as operating expenditure of the Group. Upon exercise of each of the Options, the optionholders are entitled to subscribe for HK\$1,000,000 in the principal amount of the convertible bonds (the "Convertible Bonds") at the subscription price of HK\$1,000,000. Assuming exercise of all of the 130 Options, the optionholders are entitled to subscribe for, in aggregate, the Convertible Bonds in the principal amount of HK\$130,000,000 at the aggregate subscription price of HK\$130,000,000. The Convertible Bonds are convertible into 130,000,000 new shares of the Company at the conversion price of HK\$1 per conversion share. Details are set out in the Company's announcements dated 18 June 2014 and 28 June 2014 respectively.

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 2014, the Group's current liabilities increased to approximately HK\$144,664,000 from approximately HK\$61,733,000 of last financial year. The Group had cash and cash equivalent of approximately HK\$10,896,000 (31 December 2013: approximately HK\$38,050,000) and had interest-bearing borrowings of approximately HK\$94,692,000 (31 December 2013: HK\$29,731,000).

As at 30 September 2014, the gearing ratio (measured as total liabilities to total assets) was approximately 17.3% (31 December 2013: approximately 10.7%).

Capital Structure

As at 30 September 2014 and 31 December 2013, 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 2014, the Group did not have any capital commitments (31 December 2013: nil).

Contingent Liabilities

As at 30 September 2014, the Group did not have any material contingent liability (31 December 2013: nil).

Charges on Assets

As at 30 September 2014, investment properties of the Group and certain investments held for trading with an aggregate carrying value of HK\$234,377,000 have been pledged to banks and other financial institution to secure the credit facilities granted to the Group (31 December 2013: HK\$77,700,000).

Material Acquisitions and Disposals

On 9 January 2014, the Group entered into a leasing agreement with Hong Kong Entertainment (Overseas) Investments Limited ("HKE"), Mega Stars Overseas Limited and Tinian Dynasty Investments Limited, pursuant to which HKE has conditionally agreed to, as head lessee of various pieces of land in Tinian, the CNMI (the "Land"), grant the leasing of the Land, together with the Tinian Dynasty Hotel & Casino on the Land (the "Dynasty Hotel"), to the Group during the term of the land lease ending on 18 May 2051 (the "Land Lease"), and the Group has agreed to take up the Land Lease from HKE. Details are set out in the announcements of the Company dated 11 February 2014, 27 February 2014, 3 April 2014 and 15 April 2014.

On 6 February 2014, the Group agreed to subscribe for the convertible bonds of The Hong Kong Building and Loan Agency Limited ("HKBLA") (a company listed on the Stock Exchange with stock code 145) in the principal amount of HK\$43,200,000. Assuming the conversion rights attaching to the convertible bonds are exercised in full at the initial conversion price of HK\$0.135 per conversion share, a total of 320,000,000 conversion shares will be allotted and issued. Details are set out in the announcement of the Company dated 7 February 2014. The subscription was completed on 17 February 2014.

On 9 April 2014, the Group entered into the framework agreement (as revised and supplemented by the first supplemental framework agreement dated 5 June 2014 and the second supplemental framework agreement dated 27 June 2014) with Well Target Limited ("Well Target"), pursuant to which Well Target intended to procure a new company to issue the convertible notes and the Group intended to subscribe the convertible notes. Assuming the conversion rights attaching to the convertible notes are exercised in full, representing approximately 60% of the enlarged issued share capital of the issuer. Details are set out in the announcements of the Company dated 9 April 2014, 15 April 2014, 22 May 2014, 5 June 2014 and 28 June 2014.

On 21 April 2014, the Group submitted an application for a casino resort developer license in the CNMI. On 1 August 2014, the Group received a letter from the Commonwealth Lottery Commission stated that it decided not to consider the application any further. Details are set out in the announcements of the Company dated 22 April 2014, 8 May 2014, 10 May 2014, 16 May 2014, 19 June 2014, 30 June 2014, 4 July 2014, 28 July 2014 and 1 August 2014.

On 23 May 2014, the Group, as the assignee, executed (i) an assignment of shares of Tinian Realty International Co. ("TRI") pursuant to which the assignor assigned the entire issued share capital of TRI at the consideration of US\$50,000; and (ii) a deed of loan assignment pursuant to which the assignee acquired all the assignor's interest in the indebtedness of TRI at the consideration of US\$100,000. Prior to the Assignment, TRI entered into a ground land lease agreement with an independent third party on 19 May 2014 regarding a land situated in Tinian, CNMI. Details are set out in the announcement of the Company dated 23 May 2014.

On 17 July 2014, the Group (the “Preferred Agent”) entered into the agency agreement with HKE and Well Target as the guarantor, pursuant to which HKE agreed to appoint the Preferred Agent to, and the Preferred Agent agreed to its being appointed to, inter alia, render the agency services of and for the guest rooms of and in the Dynasty Hotel in Tinian, the CNMI (“Agency Agreement”). The appointment commenced on 17 July 2014. Details are set out in the announcements of the Company dated 18 July 2014 and 8 October 2014.

On 17 July 2014, the Group and Mr. Chan Kin Chung (the “Vendor”) entered into a sale and purchase agreement (as revised and supplemented by the supplemental agreement dated 8 October 2014) pursuant to which the Group agreed to acquire and the Vendor agreed to sell 1,520,000 shares, representing 38% of the entire issued share capital of Oriental Tours & Travel Co. Limited at a consideration of HK\$380,000. Details are set out in the announcements of the Company dated 18 July 2014 and 8 October 2014. As at the date hereof, the transaction is not yet completed.

On 26 August 2014, the Group entered into the framework agreement with HKE, Well Target and Fortune (HK) Consulting Limited (“Fortune”), pursuant to which HKE shall sub-lease, sub-let or sub-license the Dynasty Hotel to one or more investors (“Prospective Investors”) identified by Fortune throughout the term of the leasehold of the lands on which the Dynasty Hotel situates at the aggregate amount of HK\$1,000,000,000. It is intended that the Prospective Investors shall either acquire a refundable prepayment in the total sum of HK\$151,638,010 paid by the Group to HKE pursuant to the Agency Agreement, or grant HKE a loan in such same amount. Upon completion of which, it is also intended that the Group shall procure travelers for visiting and staying at the Dynasty Hotel in return the Group be entitled 1% each of the gross amount incurred by the travelers. As at the date hereof, no formal agreement has been entered into. Details are set out in the announcements of the Company dated 27 August 2014 and 8 October 2014.

On 23 September 2014, the Group as the subscriber and Sun First Group Limited (“Sun First”) as the vendor entered into the framework agreement, pursuant to which the subscriber will subscribe the 1,900 shares in Win Element Development Limited (“Win Element”), representing 95% of the entire issued share capital of Win Element, at the subscription price of US\$1 per share. It is intended that the Group shall grant a loan in the principal amount of US\$100,000,000 (approximately HK\$780 million) to Win Element and/or Sun First, and the terms and conditions of the possible loan facility shall be set out in the formal agreement. As at the date hereof, no formal agreement has been entered into. Details are set out in the announcement of the Company dated 26 September 2014.

Litigations

Reference is made to page 10 of the 2013 annual report of the Company which discloses particulars on and progress of litigation matters in which the Company and/or its subsidiaries are involved.

In relation to the litigation matter in which the Company was sued as the 2nd defendant, the plaintiff has amended its statement of claim on 13 May 2014. As advised by counsel, the Company has taken out the relevant applications, inter alia, to disallow such amendments of the statement of claim by the plaintiff and to strike out the amended statement of claim if such amendments are allowed by the Court.

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

Advance to an Entity

On 11 April 2014 and 21 May 2014, the Group made payment in the amount of HK\$8,000,000 and HK\$27,000,000 respectively to Well Target as further deposit of the convertible notes. Details are set out in the announcements of the Company dated 22 May 2014, 5 June 2014, 28 June 2014 and 18 July 2014. Subsequently, such amount was applied in entirety to settle and discharge the rental prepayment upon the execution of the Agency Agreement with HKE as disclosed in the above section headed "Material Acquisitions and Disposals". At 30 September 2014, the amount due from HKE was approximately HK\$151,638,000.

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

As at 30 September 2014, 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 2014, 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 2014 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 2014.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2014, 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	–	124,000,000 <i>(note 1)</i>	18.35%
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 124,000,000 subscription shares (with an aggregate nominal value of HK\$124,000 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 2014 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 2014.

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 2014.

COMPLIANCE ADVISER

CLC International Limited (“CLC”) being the compliance adviser of the Company as at 30 September 2014, confirmed that CLC together with its directors, employees or associates (as defined under the GEM Listing Rules) were not interested in any share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 September 2014 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 2014 and has provided comments thereon.

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

Hong Kong, 11 November 2014

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. Wang Chin Mong and Mr. Chow Fu Kit Edward.