



華人策略控股有限公司

Chinese Strategic Holdings Limited

(incorporated in Bermuda with limited liability)

Stock Code: 8089

2015
Third Quarterly Report

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 2015, together with the comparative figures for the corresponding period in year 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Three months ended 30 September 2015		Nine months ended 30 September 2015	
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	3	9,202	6,037	141,532	142,169
Revenue	3	4,580	2,340	7,438	6,976
Cost of sales		(61)	(59)	(184)	(182)
Gross profit		4,519	2,281	7,254	6,794
Other income and gains		182	369	184	614
Administrative expenses		(22,222)	(19,986)	(63,887)	(60,091)
Changes in fair values of investment properties, net		-	-	2,700	(656)
Changes in fair values of investments held for trading		(390,169)	21,828	(59,352)	5,845
(Loss) gain on disposals of investments held for trading		(2,900)	(6,901)	42,283	(18,980)
Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss		(1,820)	(64,086)	100	101,247
Changes in fair values of derivative financial assets/liabilities		(5,402)	(3,608)	(5,402)	(3,870)
Gain arising from derecognition of derivative financial liabilities		-	-	3,156	-
Gain (loss) on disposal of subsidiaries		1,624	-	(11,761)	-
Gain on deemed disposal of partial interest in an associate		-	-	-	36,862
Share of profit of a joint venture		819	716	2,851	2,055
Operating (loss) profit		(415,369)	(69,387)	(81,874)	69,820
Finance costs	4	(6,546)	(8,860)	(18,622)	(19,360)
(Loss) profit before tax		(421,915)	(78,247)	(100,496)	50,460
Income tax expense	5	-	-	-	-
(Loss) profit for the period	6	(421,915)	(78,247)	(100,496)	50,460

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Other comprehensive income (expense)					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating foreign operations		(400)	(1,068)	(56)	(991)
Fair value gain on available-for-sale financial assets		(7,725)	2,964	228	8,107
Other comprehensive (expense) income for the period		(8,125)	1,896	172	7,116
Total comprehensive (expense) income for the period		(430,040)	(76,351)	(100,324)	57,576
(Loss) profit for the period attributable to:					
Owners of the Company		(424,352)	(78,030)	(103,308)	52,383
Non-controlling interests		2,437	(217)	2,812	(1,923)
		(421,915)	(78,247)	(100,496)	50,460
Total comprehensive (expense) income attributable to:					
Owners of the Company		(432,477)	(76,134)	(103,136)	59,499
Non-controlling interests		2,437	(217)	2,812	(1,923)
		(430,040)	(76,351)	(100,324)	57,576
(Loss) earnings per share	8	HK cents	HK cents	HK cents	HK cents
Basic		(52.36)	(11.55)	(14.12)	7.75
Diluted		(52.36)	(11.55)	(14.12)	6.46

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2015

	Attributable to owners of the Company							Non-controlling interests	Total		
	Share capital	Share premium	Share options	Share revaluation reserve	Investment revaluation reserve	Warrant reserve	Equity component of convertible bonds			Translation reserve	Accumulated losses
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2014 (audited)	676	2,901,300	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
Capital injection by non-controlling interest	-	-	-	-	-	-	-	-	-	20	20
At 30 September 2014 (unaudited)	676	2,901,300	3,590	21,525	1,350	-	19,876	(2,130,781)	825,450	22,764	848,234

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Share Contributed surplus HK\$'000	Share options reserve HK\$'000	Share investment revaluation reserve HK\$'000	Warrant reserve HK\$'000	Equity component of convertible bonds HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2015 (audited)	676	2,901,300	7,914	3,590	20,268	1,350	-	19,536	(2,127,622)	827,012	25,255	852,267
Profit (loss) for the period	-	-	-	-	-	-	-	-	(103,308)	(103,308)	2,812	(100,496)
Other comprehensive income (expense) for the period	-	-	-	-	228	-	-	(56)	-	172	-	172
Total comprehensive income (expense) for the period	-	-	-	-	228	-	-	(56)	(103,308)	(103,136)	2,812	(100,324)
Release of exchange reserve upon disposal of subsidiary	-	-	-	-	-	-	-	(11,398)	11,398	-	-	-
Capital injection by non-controlling interest	-	-	-	-	-	-	-	-	-	-	100	100
Issue of shares upon exercise of non-listed warrants	134	28,135	-	-	-	(1,350)	-	-	-	26,919	-	26,919
Recognition of equity component of convertible bonds	-	-	-	-	-	-	4,303	-	-	4,303	-	4,303
At 30 September 2015 (unaudited)	810	2,929,435	7,914	3,590	20,496	-	4,303	8,082	(2,219,532)	755,098	28,167	783,265

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 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 2015 have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules.

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

The accounting policies and methods of computation used in preparing the condensed consolidated financial statements for the nine months ended 30 September 2015 are consistent with those used in the Group's annual financial statements for the year ended 31 December 2014 (the "2014 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 2014 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 2015.

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, interest income from the provision of loan financing and dividend income from investments held for trading during the period.

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

	Three months ended 30 September 2015		Nine months ended 30 September 2015	
	(Unaudited) HK\$'000	(Unaudited) 2014 HK\$'000	(Unaudited) HK\$'000	(Unaudited) 2014 HK\$'000
Turnover				
Rental income	1,146	757	3,399	2,266
Net proceeds from the disposal of investments held for trading	4,622	3,697	134,094	135,194
Interest income from the provision of loan financing	3,434	1,583	4,039	4,709
	9,202	6,037	141,532	142,169
Revenue				
Rental income	1,146	757	3,399	2,266
Interest income from the provision of loan financing	3,434	1,583	4,039	4,709
Dividend income from investments held for trading	-	-	-	1
	4,580	2,340	7,438	6,976

4. FINANCE COSTS

	Three months ended 30 September 2015		Nine months ended 30 September 2015	
	(Unaudited) HK\$'000	(Unaudited) 2014 HK\$'000	(Unaudited) HK\$'000	(Unaudited) 2014 HK\$'000
Interest on:				
Bank borrowings	160	132	485	507
Other loans	4,202	8,578	11,403	18,403
Bond and note payables	1,998	150	6,548	450
Convertible bonds	186	-	186	-
	6,546	8,860	18,622	19,360

5. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the nine months ended 30 September 2015 and 30 September 2014.

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%.

6. (LOSS) PROFIT FOR THE PERIOD

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

	Three months ended 30 September		Nine months ended 30 September	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Staff costs including directors' emoluments:				
Salaries and allowances	7,062	7,260	23,006	19,997
Contributions to retirement benefits scheme	184	211	603	566
	7,246	7,471	23,609	20,563
Depreciation of plant and equipment	616	705	1,985	1,976
Amortisation of prepaid lease payment	97	95	291	139
Minimum lease payments under operating leases	2,120	2,213	6,817	5,137
Gross rental income	(1,146)	(757)	(3,399)	(2,266)
Less: outgoings (included in cost of sales)	61	59	184	182
Net rental income	(1,085)	(698)	(3,215)	(2,084)

7. DIVIDEND

No dividend was paid or proposed during the nine months ended 30 September 2015 and 30 September 2014, nor has any dividend been proposed since 30 September 2015 and up to the date of this report.

8. (LOSS) EARNINGS PER SHARE

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

	Three months ended 30 September 2015 (Unaudited) HK\$'000		Nine months ended 30 September 2015 (Unaudited) HK\$'000	
		2014 (Unaudited) HK\$'000		2014 (Unaudited) HK\$'000
(Loss) profit				
(Loss) profit for the period attributable to owners of the Company	(424,352)	(78,030)	(103,308)	52,383
	'000	'000	'000	'000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	810,414	675,814	731,528	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 (loss) earnings per share	810,414	675,814	731,528	810,814

The computation of diluted loss per share for the three months and nine months ended 30 September 2015 does not include the Company's share options, convertible bonds and the options to subscribe convertible bonds as the assumed exercise of these share options, convertible bonds and the options to subscribe convertible bonds has an anti-dilutive effect for the period in 2015.

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-listed warrants since the exercise would result in a decrease in loss per share for the three months ended 30 September 2014.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the nine months ended 30 September 2015, the Group recorded a turnover of approximately HK\$141,532,000 (nine months ended 30 September 2014: approximately HK\$142,169,000), representing a decrease of approximately 0.5% as compared with the last corresponding period.

Administrative expenses for the nine months ended 30 September 2015 was approximately HK\$63,887,000 (nine months ended 30 September 2014: approximately HK\$60,091,000), representing an increase of approximately 6.3% as compared with the last corresponding period.

The loss attributable to the owners of the Company for the nine months ended 30 September 2015 aggregated at approximately HK\$103,308,000 (nine months ended 30 September 2014: profit of approximately HK\$52,383,000). The loss for the period is mainly attributable to changes in fair values of investments held for trading of approximately HK\$59,352,000. The basic loss per share for nine months ended 30 September 2015 was HK14.12 cents (nine months ended 30 September 2014: earnings per share HK7.75 cents).

Business Review and Outlook

Through renting out of the properties, the Group recorded a rental income of approximately HK\$3,399,000 for the nine months ended 30 September 2015 (nine months ended 30 September 2014: approximately HK\$2,266,000). As at 30 September 2015, the Group held properties for investment purposes with total fair value amounted to approximately HK\$98,670,000 (31 December 2014: approximately HK\$226,538,000). During the period under review, two properties in Mainland China with the book value of approximately HK\$138,538,000 were disposed through the disposal of subsidiaries and a residential property in Hong Kong was acquired through the subscription and conversion of convertible bonds of a private company. In view of the recent property market in Hong Kong showing signs of slowing, the management remains cautiously optimistic about the property market in the long run.

Segmental turnover of the securities trading business for the nine months ended 30 September 2015 was approximately HK\$134,094,000 (nine months ended 30 September 2014: approximately HK\$135,194,000). During the period under review, the Group recorded a loss arising from the fair value changes of investments held for trading of approximately HK\$59,352,000 (nine months ended 30 September 2014: gain of approximately HK\$5,845,000) and a gain on disposals of investments held for trading of approximately HK\$42,283,000 (nine months ended 30 September 2014: loss of approximately HK\$18,980,000). As at 30 September 2015, the Group had investments held for trading amounted to approximately HK\$397,589,000 (31 December 2014: approximately HK\$231,742,000). Generally viewed that an increase in interest rate is just a matter of time. Global stock market may become more volatile. The Board will adopt a cautious and prudent approach for the benefit of the Group and its shareholders as a whole.

The loan financing business generated an interest income of approximately HK\$4,039,000 during the period under review (nine months ended 30 September 2014: approximately HK\$4,709,000), representing a decrease of approximately 14.2%. The Group considered that slow overall growth of Mainland China will have an impact on the development of loan financing business, hence the management has continued to prudently review its lending practice and loan policy.

The Group has been negotiating with Hong Kong Entertainment (Overseas) Investments Limited ("HKE") and the relevant regulatory authority regarding the possible investment opportunities in the Hotel-Casino Complex since 2013 and has been looking for business opportunities to expand into the hospitality industry in Tinian in the Commonwealth of the Northern Mariana Islands, including travel agency and duty free shopping. The management will update the shareholders of Company and public regarding such development.

Fund Raising Activities

On 15 June 2015, Mr. Chen Chien Yeh (the "Subscriber") and the Company entered into a subscription agreement pursuant to which the Company issued and the Subscriber subscribed the bonds in the principal amount of HK\$50,000,000 at a consideration of HK\$50,000,000 (the "Subscription Bonds"). The holders of the Subscription Bonds are entitled to exchange the entire outstanding principal amount of the Subscription Bonds or any part thereof into an equivalent principal amount of the convertible bonds on a dollar-to-dollar basis, which are convertible into shares of the Company at a conversion price of HK\$1.9 per share. Details are set out in the announcement of the Company dated 25 June 2015.

On 15 June 2015, the Company and the placing agent entered into the placing agreement (as revised and supplemented by three supplemental agreements on 25 June 2015, 17 July 2015 and 6 August 2015 respectively), 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 placees to subscribe for the convertible bonds of the Company in the principal amount of up to HK\$76,000,000 (the "CB"). Each holder of the CB in the principal amount of HK\$1,900,000 shall have the priority to subscribe up to three options at the option premium of HK\$30,000 per option. Each option entitles the holder of the option to subscribe for the further convertible bonds (the "Further CBs") in the principal amount of HK\$1,900,000 at the subscription price of HK\$1,900,000, pursuant to which a maximum of 120 options shall be issued. Upon exercise of the 120 options to subscribe the Further CBs, the Further CBs will be in the aggregate amount of HK\$228,000,000. Upon full conversion of the CB in the principal amount of HK\$76,000,000 and the Further CBs in the principal amount of HK\$228,000,000 at the initial conversion price of HK\$1.90, a total of 40,000,000 new shares and 120,000,000 new shares shall be allotted and issued by the Company. The CB in the aggregate principal amount of HK\$76,000,000 and an aggregate 120 options were fully placed and issued on 16 September 2015 and 24 September 2015 respectively. Details are set out in the announcements of the Company dated 25 June 2015, 17 July 2015, 6 August 2015 and 31 August 2015 and the circular of the Company dated 14 August 2015.

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 2015, the Group had cash and cash equivalent of approximately HK\$41,065,000 (31 December 2014: approximately HK\$17,303,000) and had interest-bearing borrowings of approximately HK\$166,392,000 (31 December 2014: approximately HK\$109,367,000).

As at 30 September 2015, the gearing ratio (measured as total liabilities to total assets) was approximately 30% (31 December 2014: approximately 20%).

Capital Structure

As at 30 September 2015, the Company's issued share capital was HK\$810,414 (31 December 2014: HK\$675,814), divided into 810,414,000 shares (31 December 2014: 675,814,000 shares) of HK\$0.001 each. During the nine months ended 30 September 2015, the Company allotted and issued 134,600,000 new shares upon the exercise of the unlisted warrants.

Capital Commitments

As at 30 September 2015, the Group did not have any capital commitments (31 December 2014: nil).

Contingent Liabilities

As at 30 September 2015, the Group did not have any material contingent liability (31 December 2014: nil).

Charges on Assets

As at 30 September 2015, investment properties and certain investments held for trading with an aggregate carrying value of HK\$320,696,000 (31 December 2014: HK\$245,533,000) have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

Material Acquisitions and Disposals

On 29 May 2015, Rich Best Asia Limited, a wholly-owned subsidiary of the Company ("Rich Best"), entered into a sale and purchase agreement pursuant to which Rich Best has agreed to sell the entire issued share capital of China Smart Asia Limited, an indirectly-owned subsidiary of the Company ("China Smart") and to assign a debt owed by China Smart to the purchaser, Delightful Hope Limited as at 31 December 2014, being HK\$120,203,956 and shall not exceed HK\$126,000,000, at a consideration in the aggregate sum of HK\$93,000,000. Details are set out in the announcements of the Company dated 29 May 2015 and 20 August 2015. The transaction was completed on 20 August 2015.

Litigations

As previously reported, Fameway Finance Limited ("Fameway"), a wholly-owned subsidiary of the Company carrying on business as a licensed money lender in Hong Kong, has recently obtained judgment in its claim against a borrower, and Fameway will rely on legal advice on enforcement.

In relation to the litigation matter in which the Company was sued as the 2nd defendant, the plaintiff's amendments to its statement of claim in so far as it relates to the cause of action against the Company were struck out by the order of Master Hui on 3 June 2015 ("the said Order") with costs in favour of the Company. The plaintiff then filed the Notice of Appeal on 17 June 2015 ("the said Appeal") to appeal against the said Order and the hearing of this Appeal has been scheduled on 9 December 2015.

Moreover, the plaintiff also applied to amend its Amended Statement of Claim by summons on 17 June 2015. However, the hearing of this Summons has been adjourned sine die pending the determination of the said Appeal.

The Company will announce or disclose the conduct of 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 Limited 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 of HK\$151,638,010 (the "Rental Prepayment") upon the execution of the agency agreement with HKE. On 9 December 2014, the Rental Prepayment was scheduled to be repaid by HKE to Gain Millennia Limited under a deed of settlement. On 15 February 2015 and 24 March 2015, HKE and Tinian Entertainment Co., Ltd ("TEC"), an 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 ("Occupation Fees"). Upon the entering into the Operating Agreement, TEC has paid to HKE a refundable deposit of HK\$50,000,000, which has been set off with part of the Rental Prepayment repayable by HKE. As at 30 September 2015, the remaining balance of the Rental Prepayment that should be refunded under the deed of settlement was reduced to HK\$101,638,010. TEC intends to pay HKE the remaining of the Occupation Fees upon the approval from Tinian Casino Gaming Control Commission ("TCGCC") regarding the Operating Agreement. Details are set out in the announcements of the Company dated 23 February 2015, 3 March 2015 and 20 April 2015.

Events after the Reporting Period

On 11 November 2015, the Company and the placing agent entered into an placing agreement pursuant to which the Company has conditionally agreed to place, through the placing agent on a best effort basis, a maximum of 120,000,000 placing shares at a price of HK\$0.48 per placing share to not less than six independent placees under the General Mandate. Details are set out in the announcement of the Company dated 11 November 2015.

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

As at 30 September 2015, 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 2015, 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

At no time during the nine months ended 30 September 2015 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 2015.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2015, 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	80,000,000	65,000,000 (note 1)	17.89%
Well Support Limited	Beneficial owner	67,081,466 (note 2)	–	8.27%
Liu Yi Dong	Trustee of Liu Yi Dong Family Trust	67,081,466 (note 2)	–	8.27%

Notes:

1. This is an interest in underlying shares held directly by Chinese Capital Management Limited in respect of (i) convertible bonds in the principal amount of HK\$5,700,000 which can be converted into 3,000,000 conversion shares at the conversion price of HK\$1.90 per conversion share and (ii) 62 options which entitle the optionholder to subscribe for the Further CBs in the principal amount of HK\$117,800,000. The Further CBs can be converted into 62,000,000 further conversion shares at the conversion price of HK\$1.90 per further conversion share.
2. 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.

As at 30 September 2015, the number of shares issued by the Company was 810,414,000.

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 2015 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 2015.

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 2015.

COMPLIANCE ADVISER

As stated in the announcement of the Company dated 5 November 2015, the engagement of CLC International Limited ("CLC") as the compliance adviser of the Company, for the period commenced on 6 March 2014 to 5 November 2015 in compliance with the direction of the GEM Listing Committee, has expired.

CLC being the compliance adviser of the Company as at 30 September 2015 and as at 5 November 2015, confirmed that CLC together with its directors, employees or close 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 2015 and as at 5 November 2015 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 condensed consolidated financial statements and this quarterly report for the nine months ended 30 September 2015 and has provided comments thereon.

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

Hong Kong, 13 November 2015

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.