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華人策略控股有限公司

Chinese Strategic Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 8089)

FURTHER ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement and supplemental announcement dated 31 March 2020 and 1 April 2020 (collectively, the “**Unaudited Results Announcements**”) made by Chinese Strategic Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) in relation to, among others, the unaudited annual results of the Group for the year ended 31 December 2019. Capitalised terms used herein in this announcement, unless the context otherwise specified, shall have the same meanings as defined in the Unaudited Results Announcements.

ANNUAL RESULTS

The auditor of the Group (the “**Auditor**”), Messrs. Asian Alliance (HK) CPA Limited, has completed the audit process on the Group’s consolidated financial statements for the year ended 31 December 2019. The Board hereby announces the audited consolidated results of the Group for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Notes</i>	2019 <i>HK\$’000</i>	2018 <i>HK\$’000</i>
Revenue	<i>4</i>		
Sales of goods		1,991	20,544
Leases		1,369	2,516
Interest under effective interest method		774	1,814
Dividend income		6	12
		<hr/>	<hr/>
Total revenue		4,140	24,886
Cost of sales		(2,030)	(20,381)
		<hr/>	<hr/>
Gross profit		2,110	4,505
Other income	<i>6a</i>	2,047	606
Other gains and losses	<i>6b</i>	(78,877)	(101,462)
Administrative expenses		(56,683)	(80,552)
Impairment losses under expected credit loss model, net of reversal	<i>6c</i>	(13,810)	(26,310)
Share of results of associates		(4)	(11)
Share of results of joint ventures		(11,427)	11,198
		<hr/>	<hr/>
Operating loss		(156,644)	(192,026)
Finance costs	<i>7</i>	(23,800)	(27,237)
		<hr/>	<hr/>
Loss before tax		(180,444)	(219,263)
Income tax expenses	<i>8</i>	(89)	(167)
		<hr/>	<hr/>
Loss for the year	<i>9</i>	(180,533)	(219,430)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2019

	<i>Notes</i>	2019 HK\$'000	2018 HK\$'000
Other comprehensive expense			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		<u>(854)</u>	<u>(27)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(2)	(5)
Share of translation reserve of a joint venture		<u>(3,094)</u>	<u>(8,692)</u>
		<u>(3,096)</u>	<u>(8,697)</u>
Other comprehensive expense for the year, net of income tax		<u>(3,950)</u>	<u>(8,724)</u>
Total comprehensive expense for the year		<u>(184,483)</u>	<u>(228,154)</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(178,040)	(221,601)
Non-controlling interests		<u>(2,493)</u>	<u>2,171</u>
		<u>(180,533)</u>	<u>(219,430)</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(181,990)	(230,325)
Non-controlling interests		<u>(2,493)</u>	<u>2,171</u>
		<u>(184,483)</u>	<u>(228,154)</u>
Loss per share	<i>11</i>		
Basic (<i>HK cents</i>)		<u>(72.53) cents</u>	<u>(107.17) cents</u>
Diluted (<i>HK cents</i>)		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>Notes</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Plant and equipment		4,227	7,221
Prepaid lease payment – non-current portion		–	18,726
Right-of-use assets		7,126	–
Investment properties		131,310	164,840
Interests in associates		403	397
Interests in joint ventures		152,088	184,518
Club debentures		2,690	2,690
Other assets		805	–
Intangible assets		–	5,732
Equity instruments at fair value through other comprehensive income		1,572	2,426
Loan and interest receivables	12	19,330	–
Financial assets at fair value through profit or loss		–	7,468
Deposit paid for acquisition of a subsidiary	13	–	3,302
		<u>319,551</u>	<u>397,320</u>
CURRENT ASSETS			
Loan and interest receivables	12	9,386	25,778
Financial assets at fair value through profit or loss		4,725	33,294
Other receivables	13	10,812	41,934
Prepaid lease payment – current portion		–	388
Amount due from an associate		3	5
Amount due from a joint venture		4,242	1,824
Bank balances and cash		1,320	7,185
		<u>30,488</u>	110,408
Assets classified as held for sale		<u>3,557</u>	<u>17,270</u>
		<u>34,045</u>	127,678
CURRENT LIABILITIES			
Trade and other payables	14	70,830	50,448
Amount due to an associate		731	723
Amount due to joint venture		3,000	3,000
Borrowings		94,823	142,349
Bond payables		40,000	10,000
Lease liabilities – current portion		3,070	–
Obligations under finance leases – current portion		–	729
Financial guarantee contract		4,837	3,540
Bank overdraft		70	–
Tax liabilities		8,913	8,944
		<u>226,274</u>	219,733
Liabilities associated with assets classified as held for sale		–	5,719
		<u>226,274</u>	<u>225,452</u>
NET CURRENT LIABILITIES		<u>(192,229)</u>	<u>(97,774)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>127,322</u>	<u>299,546</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Bond payables	10,000	40,000
Borrowings	20,136	–
Lease liabilities – non-current portion	4,156	–
Obligations under finance leases		
– non-current portion	–	766
Deferred tax liabilities	1,639	1,560
	<u>35,931</u>	<u>42,326</u>
NET ASSETS	<u>91,391</u>	<u>257,220</u>
CAPITAL AND RESERVES		
Share capital	2,811	2,068
Reserves	57,859	222,171
	<u>60,670</u>	<u>224,239</u>
Equity attributable to owners of the Company	60,670	224,239
Non-controlling interests	30,721	32,981
	<u>91,391</u>	<u>257,220</u>
TOTAL EQUITY	<u>91,391</u>	<u>257,220</u>

1. GENERAL

Chinese Strategic Holdings Limited (the “**Company**”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Exchange**”) since 18 May 2000. The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is located at Unit 1, 21/F, Yue Xiu Building, Nos. 160-174 Lockhart Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are properties investments, securities trading, loan financing, trading business and dealing in, advising on securities and asset management.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company (the “**Directors**”) have given careful consideration to the future liquidity of the Group notwithstanding that the Group reported loss attributable to owners of the Company of approximately HK\$178,040,000 and had net cash used in operating activities for the year ended 31 December 2019 and, as of that date, the Group had net current liabilities of approximately HK\$192,229,000.

In the opinion of the Directors, the Group is able to operate as a going concern in the next twelve months from 31 December 2019 after taking into consideration of the following measures:

- (a) The Group has a concrete plan to enforce cost-saving measures to reduce the administrative and operating expenses.
- (b) The maturity dates of three bond payables with the principal amount of HK\$30,000,000 has been extended for 2 years to 4 December 2021, 6 February 2022 and 15 March 2022 respectively.
- (c) The Group is also negotiating with an independent third party for a possible loan restructuring plan.

The Directors are of the opinion that the Group will be able to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for a period of not less than the next twelve months from 31 December 2019. Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2019 on a going concern basis. The consolidated financial statements do not include any adjustments that would result from the failure of the Group to obtain sufficient future funding. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the assets of the Group to their recoverable amounts, to provide further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Interpretation (“Int”) 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to Hong Kong Accounting Standard (“HKAS”) 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 *HKFRS 16 Leases*

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by any prepaid lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong was determined on a portfolio basis; and
- iii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 11.6%.

	At 1 January 2019
<i>Notes</i>	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	<u>1,770</u>
Lease liabilities discounted at relevant incremental borrowing rates	1,701
Less: Practical expedient – leases with lease term ending within 12 months from the date of initial application	<u>(1,701)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	–
Add: Obligations under finance leases recognised at 31 December 2018	<i>(b)</i> <u>1,495</u>
Lease liabilities as at 1 January 2019	<u><u>1,495</u></u>
Analysed as:	
Current	729
Non-current	<u>766</u>
	<u><u>1,495</u></u>

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	<i>Notes</i>	Right-of-use assets <i>HK\$'000</i>
Reclassified from prepaid lease payments	<i>(a)</i>	19,114
Amounts included in property, plant and equipment under HKAS 17		
– Assets previously under finance leases	<i>(b)</i>	<u>1,388</u>
		<u><u>20,502</u></u>

- (a) Upfront payments for leasehold land in the Commonwealth of the Northern Mariana Islands (“CNMI”) was classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payment amounting to approximately HK\$388,000 and HK\$18,726,000 respectively were reclassified to right-of-use assets.
- (b) In relation to assets previously under finance leases, the Group re-categorised the carrying amount of the relevant assets which were still under lease as at 1 January 2019 amounting to approximately HK\$1,388,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of HK\$729,000 and HK\$766,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

The transition to HKFRS 16 has no impact on the accumulated losses at 1 January 2019.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

		Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Right-of-use assets		–	20,502	20,502
Prepaid lease payment – non-current portion	<i>(a)</i>	18,726	(18,726)	–
Plant and equipment	<i>(b)</i>	7,221	(1,388)	5,833
Current assets				
Prepaid lease payment – current portion	<i>(a)</i>	388	(388)	–
Current Liabilities				
Lease liabilities – current portion		–	729	729
Obligations under finance leases	<i>(b)</i>	729	(729)	–
Non-current liabilities				
Lease liabilities – non-current portion		–	766	766
Obligations under finance leases	<i>(b)</i>	766	(766)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets should be adjusted to reflect the discounting effect at transition. Based on the assessment by the management of the Company, the amount of the adjustment is insignificant and therefore no adjustment to refundable rental deposits received has been made.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned in the consolidated financial statements, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2019

Segments	<i>HK\$'000</i>
Sales of goods	
– Tea products	<u><u>1,991</u></u>
Geographical market	
Hong Kong	<u><u>1,991</u></u>
Timing of revenue	
At a point in time	<u><u>1,991</u></u>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	<i>HK\$'000</i>
Revenue from contracts with customers	
– Sales of goods	1,991
Leases	1,369
Interest under effective interest method	774
Dividend income from financial assets at FVTPL	<u>6</u>
Total revenue	<u><u>4,140</u></u>

For the year ended 31 December 2018

Segments	<i>HK\$'000</i>
Sales of goods	
– Tea products	<u>20,544</u>
Geographical market	
Hong Kong	<u>20,544</u>
Timing of revenue	
At a point in time	<u>20,544</u>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	<i>HK\$'000</i>
Revenue from contracts with customers	
– Sales of goods	20,544
Rental income	2,516
Interest under effective interest method	1,814
Dividend income from financial assets at FVTPL	<u>12</u>
Total revenue	<u>24,886</u>

(ii) Performance obligations for contracts with customers

Revenue from sale of tea products is recognised when control of the goods has transferred to the customers, being at the point the goods are delivered to the customers. Delivery occurs when the goods have been shipped to the customer's specific location.

(iii) Leases

2019
HK\$'000

For operating lease:

Lease payments that are fixed or depend on an index or a rate

1,369

5. OPERATING SEGMENTS

Information reported to the executive directors, being the chief operating decision makers (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. During the year ended 31 December 2019, the Group commenced the business in dealing in securities along with the acquisition of FT Securities Limited and it is considered as combination into advising on securities and asset management segment by the CODM.

Specifically, the Group’s reportable segments under HKFRS 8 are as follows:

1. Properties investments – investment in properties for rental income purpose
2. Securities trading – trading of securities and dividend income from financial assets at FVTPL
3. Loan financing – provision of financing services
4. Trading business – sales of goods
5. Dealing in, advising on securities and asset management – dealing in, advising on securities and asset management

Segment revenue and results

The following is an analysis of the Group's revenue by reportable segments:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Segment revenue		
– Properties investments	1,369	2,516
– Securities trading	6	12
– Loan financing	774	1,814
– Trading business	1,991	20,544
– Dealing in, advising on securities and asset management	–	–
	<u>4,140</u>	<u>24,886</u>

6a. OTHER INCOME

The analysis of the Group's other income are as follow:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest income on bank deposits	3	5
Interest income on other receivables (<i>Note</i>)	–	281
Interest income on financial assets at FVTPL	320	320
Reimbursement of interest expense from a borrower	1,515	–
Others	209	–
	<u>2,047</u>	<u>606</u>

Note: The amount represents the interest income relating to the other receivables which bearing interest rate of 5% per annum, in which the other receivables was fully settled during the year ended 31 December 2018.

6b. OTHER GAINS AND LOSSES

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Impairment loss on goodwill	(1,660)	(389)
Impairment loss on interests in joint ventures	(17,909)	–
Written-off of intangible assets	(5,732)	–
Loss on disposal of financial assets at FVTPL	–	(57,074)
Gain on disposal of an investment property	400	80
Gain on disposal of plant and equipment, net	2,626	–
(Loss) gain on disposals of subsidiaries	(1,095)	907
Gain on disposal of right-of-use assets	503	–
Gain on deemed disposal of a subsidiary	–	45
(Loss) gain from changes in fair value of investment properties, net	(19,377)	8,291
Loss from changes in fair value of financial assets at FVTPL, net	(21,336)	(53,082)
Impairment loss on right-of-use assets	(15,297)	–
Written-off of other receivables	–	(240)
	<u>(78,877)</u>	<u>(101,462)</u>

6c. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Impairment losses reversed (recognised) on:		
– Loan and interest receivables	1,944	(1,949)
– Other receivables	(14,377)	(20,899)
– Amount due from an associate	16	(41)
– Amount due from a joint venture	(96)	119
– Financial guarantee contract	(1,297)	(3,540)
	<u>(13,810)</u>	<u>(26,310)</u>

7. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interests on:		
Bank borrowings	1,369	457
Other loans	17,399	18,210
Bond payables	3,800	3,800
Interest on lease liabilities/obligations under finance leases	760	66
Margin accounts	472	4,704
	<u>23,800</u>	<u>27,237</u>

8. INCOME TAX EXPENSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax – Hong Kong	10	–
Deferred taxation	79	167
	<u>89</u>	<u>167</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years ended 31 December 2019 and 2018.

No provision for taxation in Hong Kong has been made for the year ended 31 December 2018 as the Group did not generate any assessable profits arising in Hong Kong.

Under the Law of the People’s Republic of China (the “**PRC**”) on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years ended 31 December 2019 and 2018.

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

9. LOSS FOR THE YEAR

	2019	2018
	HK\$'000	HK\$'000
Loss for the year has been arrived at after charging (crediting):		
Staff costs including directors' emoluments		
Salaries and allowances	24,042	32,451
Contributions to retirement benefits scheme	434	689
	<u>24,476</u>	<u>33,140</u>
Gross rental income	(1,369)	(2,516)
Less: direct operating expenses incurred for investment properties that generated rental income during the year (included in cost of sales)	153	311
Net rental income	<u>(1,216)</u>	<u>(2,205)</u>
Auditor's remuneration - audit service	1,357	985
Cost of inventories recognised as expenses	1,877	20,070
Depreciation of plant and equipment	1,471	3,898
Depreciation of right-of-use assets	3,092	–
Amortisation of prepaid lease payment	–	388
Loss on written-off of plant and equipment	–	2
Minimum lease payments under operating leases	3,343	3,844
Legal and professional fees	6,869	7,012
Consultancy fees	3,049	7,352
	<u>3,049</u>	<u>7,352</u>

10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

11. LOSS PER SHARE

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

	2019 HK\$'000	2018 HK\$'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<u><u>(178,040)</u></u>	<u><u>(221,601)</u></u>
	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	245,468	206,778
Effect of dilutive potential ordinary shares: – Share options	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u><u>245,468</u></u>	<u><u>206,778</u></u>

The computation of diluted loss per share for the years ended 31 December 2019 and 31 December 2018 does not assume the exercise of the Company's share options since it would result in a decrease in loss per share for the years which is regarded as anti-dilutive.

12. LOAN AND INTEREST RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Fixed rate loan and interest receivables arising from loan financing business:		
Secured loan and interest receivables	151,048	157,260
Unsecured loan and interest receivables	<u>12,833</u>	<u>6,434</u>
	163,881	163,694
Less: Allowance for credit losses	<u>(154,495)</u>	<u>(149,578)</u>
	<u>9,386</u>	<u>14,116</u>
Other loan and interest receivables:		
Other secured loan and interest receivable	–	20,879
Other unsecured loan and interest receivable	<u>21,685</u>	<u>–</u>
	21,685	20,879
Less: Allowance for credit losses	<u>(2,355)</u>	<u>(9,217)</u>
	<u>19,330</u>	<u>11,662</u>
	<u>28,716</u>	<u>25,778</u>
Analysed as		
Current	9,386	25,778
Non-current	<u>19,330</u>	<u>–</u>
	<u>28,716</u>	<u>25,778</u>

13. OTHER RECEIVABLES

	2019	2018
	HK\$'000	HK\$'000
Deposits paid for acquisition of potential investments	20,000	20,000
Less: Allowance for credit losses	<u>(20,000)</u>	<u>(20,000)</u>
	<u>–</u>	<u>–</u>
Prepayments	1,390	2,530
Rental and utility deposits	717	1,063
Other receivables	<u>88,964</u>	<u>271,460</u>
	91,071	275,053
Less: Allowance for credit losses	<u>(80,271)</u>	<u>(230,541)</u>
	<u>10,800</u>	<u>44,512</u>
Cash balance in securities account	<u>12</u>	<u>724</u>
	<u>10,812</u>	<u>45,236</u>
Less: Other receivable – non-current		
– Deposit paid for acquisition of a subsidiary	<u>–</u>	<u>(3,302)</u>
Other receivables – current	<u>10,812</u>	<u>41,934</u>

14. TRADE AND OTHER PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables (<i>Note</i>)	431	520
Accruals	51,063	30,961
Other payables	17,664	16,625
Rental deposit received	172	231
Amounts due to directors	<u>1,500</u>	<u>2,111</u>
	<u><u>70,830</u></u>	<u><u>50,448</u></u>

Note:

The purchases of goods should be settled on delivery.

The following is an aging analysis of the Group's trade payables presented based on invoice date as at the end of the reporting period is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Over 180 days	<u><u>431</u></u>	<u><u>520</u></u>

15. COMPARATIVE FIGURES

During the year ended 31 December 2019, for enhancing the relevance of the presentation of the consolidated financial statements, reclassifications have been made to certain comparative figures presented in the consolidated financial statements in respect of the prior year to achieve comparability with the current year's presentation. As a result, the following line items regarding comparative figures have been amended and adjusted, together with the related notes to conform to the current year's presentation:

	Previous reported <i>HK\$'000</i>	Reclassification <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Consolidated statement of profit or loss			
Other gains and losses	(105,002)	3,540	(101,462)
Impairment losses under expected credit loss model, net of reversal	<u>(22,770)</u>	<u>(3,540)</u>	<u>(26,310)</u>

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since the financial information contained in the Unaudited Results Announcements was neither audited nor agreed with the Auditor as at the date of their publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are principal details and reasons for the material differences in such financial information in accordance with the GEM Listing Rules.

	<i>Notes</i>	Disclosure in this announcement <i>HK\$'000</i>	Disclosure in the Unaudited Results Announcements <i>HK\$'000</i>	Difference <i>HK\$'000</i>
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME				
Revenue	<i>1</i>	4,140	5,655	(1,515)
Other gains and losses	<i>2</i>	(78,877)	(58,249)	(20,628)
Impairment losses under expected credit loss model, net of reversal	<i>3</i>	(13,810)	(12,463)	(1,347)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
NON-CURRENT ASSETS				
Right-of-use assets	<i>4</i>	7,126	10,321	(3,195)
Interests in joint ventures	<i>5</i>	152,088	170,628	(18,540)
CURRENT ASSETS				
Other receivables	<i>6</i>	10,812	8,798	(2,014)
Assets classified as held for sale	<i>4</i>	3,557	–	3,557
CURRENT LIABILITIES				
Trade and other payables	<i>7</i>	70,830	56,384	14,446
Financial guarantee contract	<i>8</i>	4,837	5,815	(978)
NON-CURRENT LIABILITIES				
Financial guarantee contract	<i>8</i>	–	6,841	(6,841)

Notes:

- 1) The difference is mainly due to the reclassification of revenue to other income.
- 2) The difference is mainly due to the increase in impairment loss on interests in joint ventures.
- 3) The difference is mainly due to the additional impairment loss recognised under the expected credit loss model.
- 4) The difference is mainly due to the reclassification of the right-of-use assets to assets classified as held for sale.
- 5) The difference arises from the increase in share of post-acquisition loss of joint ventures and the impairment loss on interests in joint ventures.
- 6) The difference is mainly due to the under-provision of consideration receivables arising from disposals of subsidiaries.
- 7) The difference is mainly due to the under-provision of expenses.
- 8) The difference is mainly due to the over-provision of financial guarantee.

Save as disclosed in this announcement and the corresponding adjustments in totals, percentages, ratios and comparative figures related to the above material differences, all other information contained in the Unaudited Results Announcement remain unchanged.

AUDIT COMMITTEE

The Audit Committee has reviewed the Group's consolidated financial statements and the annual results for the year ended 31 December 2019. They expressed no disagreement with the accounting policies and principles adopted by the Group.

SCOPE OF WORK PERFORMED BY AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this further announcement have been agreed by the Auditor, Asian Alliance (HK) CPA Limited ("**Asian Alliance**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Asian Alliance in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Asian Alliance on this announcement.

EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT

This following is an extract of the independent auditor’s report on the Group’s annual audited consolidated financial statements for the year ended 31 December 2019 which has included a disclaimer of opinion.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the *Basic for Disclaimer of Opinion* Section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

(a) Limitation of scope on prior year’s scope limitation affecting opening balances, comparative figures and related disclosures

As explained in our report dated 27 March 2019 on the Group’s consolidated financial statements for the year ended 31 December 2018 (the “**2018 Consolidated Financial Statements**”), we were not provided with sufficient evidence to enable us to satisfy ourselves as to whether the Group’s share of Chinese Capital Union Financial Limited (“**CCUF**”)’s result for the year ended 31 December 2018 and thus the carrying amount of the interest in CCUF and the receivable due from and payable to CCUF included in the Group’s consolidated statement of financial position as at 31 December 2018 were fairly stated and whether the summarised financial information of CCUF as shown in Note 22 in the 2018 Consolidated Financial Statements were properly disclosed. We qualified our opinion on the Group’s 2018 Consolidated Financial statements in respect of this limitation of scope accordingly.

Any adjustments found to be necessary to the opening balances as at 1 January 2019 may affect the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2019. The comparative figures for the year ended 31 December 2018 shown in these consolidated financial statements may not be comparable with the figures for the current year.

(b) Limitation of scope on share of results of joint venture

As described in Note 23 to the consolidated financial statements, the Group has equity accounted for its interest in CCUF in the consolidated financial statements. There were no other satisfactory audit procedures that we could perform to determine whether any adjustments were necessary in respect of the interest in CCUF as at 1 January 2019 and the Group's share of result of CCUF and the related disclosures for the year ended 31 December 2019.

Any adjustments to the opening balances of the interest in CCUF as at 1 January 2019 would have a significant consequential effect on the share of result of CCUF recognised and the related disclosures for the year ended 31 December 2019.

(c) Multiple fundamental uncertainties relating to going concern

As disclosed in the consolidated financial statements, the Group reported loss attributable to the owners of the Company of approximately HK\$178,040,000 and had net cash used in operating activities for the year ended 31 December 2019. As at 31 December 2019, the Group's current liabilities exceeded its current assets by approximately HK\$192,229,000, in which total borrowings amounted to approximately HK\$114,959,000, while its cash and cash equivalents amounted to approximately HK\$1,320,000 only.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company (the "**Directors**") have been undertaking a number of measures to improve the Group's liquidity and financial position as described in the consolidated financial statements. The consolidated financial statements have been prepared by the Directors on a going concern basis, the validity of which depends on the Group's ability to obtain sufficient future funding. Due to the uncertainty of the Group's ability to maintain adequate future cash flows, we were unable to ascertain whether the assumptions made by the Directors in preparing the consolidated financial statements on a going concern basis are proper and appropriate.

Should the going concern assumption be inappropriate, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities respectively, write-down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments. However, the uncertainty surrounding the Group's future cash flows raises significant doubt on the Group's ability to continue as a going concern. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but we are unable to obtain adequate evidence concerning the Group's ability to meet any financial obligations as and when they fall due and we consider that this material uncertainty relating to going concern basis.

We consider the cumulative effective of the above matters on the consolidated financial statements is so extreme that we have disclaimed our opinion.

ANNUAL GENERAL MEETING

The Company will hold an annual general meeting on Friday, 26 June 2020. Notice of the forthcoming annual general meeting will be published and despatched to the shareholders in accordance with the bye-laws of the Company and the GEM Listing Rules as soon as practicable.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 23 June 2020 to Friday, 26 June 2020, both days inclusive, during this period no transfer of Shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all share transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer officer, Union Registrars Limited, at Suites 3301-04, 33rd Floor, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:30 p.m. on Monday, 22 June 2020, for registration.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE EXCHANGE AND THE COMPANY

This results announcement is published on the website of the Exchange at *www.hkexnews.hk* and the website of the Company at *www.chinesestrategic.com*. The annual report of the Company for the year ended 31 December 2019, in both English and Chinese versions, will be despatched to the Shareholders, and will also be available on the same websites as mentioned above on or before 15 May 2020.

By Order of the Board
Chinese Strategic Holdings Limited
Lam Kwok Hing Wilfred
Chairman

Hong Kong, 12 May 2020

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

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

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