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華人策略控股有限公司

Chinese Strategic Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 8089)

## THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

### CHARACTERISTICS OF GEM OF THE EXCHANGE

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 announcement, for which the directors (the “Directors”) of Chinese Strategic Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (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 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](http://www.hkgem.com) for at least 7 days and on the Company website at [www.chinesestrategic.com](http://www.chinesestrategic.com) from the date of its publication.*

The board of directors (the “**Board**”) of Chinese Strategic Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 30 September 2020, together with the comparative figures for the corresponding period in year 2019, as follows:

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

	<i>Notes</i>	Three months ended		Nine months ended	
		30 September	2019	30 September	2019
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	1,597	1,248	3,237	2,746
Cost of sales		(34)	(517)	(55)	(589)
Gross Profit		1,563	731	3,182	2,157
Other income	4	112	313	882	512
Other gains and losses	5	(1,052)	(19,968)	(871)	(23,082)
Administrative expenses		(9,581)	(13,245)	(31,605)	(43,095)
Impairment losses under expected credit loss model, net of reversal	6	–	–	283	(25)
Share of results of joint ventures		896	925	2,091	2,503
Operating loss		(8,062)	(31,244)	(26,038)	(61,030)
Finance costs	7	(6,806)	(5,357)	(19,305)	(16,066)
Loss before tax		(14,868)	(36,601)	(45,343)	(77,096)
Income tax credit	8	50	–	50	–
Loss for the period	9	(14,818)	(36,601)	(45,293)	(77,096)

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Other comprehensive income</b>				
<b>(expense)</b>				
<b>Items that may be reclassified</b>				
<b>subsequently to profit or loss:</b>				
Exchange differences arising on translation of foreign operations	—	(3)	2	(3)
Other comprehensive income (expense) for the period, net of income tax	—	(3)	2	(3)
Total comprehensive expense for the period	<u>(14,814)</u>	<u>(36,604)</u>	<u>(45,291)</u>	<u>(77,099)</u>
(Loss) profit for the period attributable to:				
Owners of the Company	(14,982)	(36,712)	(45,675)	(77,272)
Non-controlling interests	164	111	382	176
	<u>(14,818)</u>	<u>(36,601)</u>	<u>(45,293)</u>	<u>(77,096)</u>
Total comprehensive income (expense) attributable to:				
Owners of the Company	(14,978)	(36,715)	(45,673)	(77,275)
Non-controlling interests	164	111	382	176
	<u>(14,814)</u>	<u>(36,604)</u>	<u>(45,291)</u>	<u>(77,099)</u>
Loss per share				
Basic (HK cents)	<u>(5.17) cents</u>	<u>(15.73) cents</u>	<u>(15.76) cents</u>	<u>(33.10) cents</u>
Diluted (HK cents)	<u>(5.17) cents</u>	<u>(15.73) cents</u>	<u>(15.76) cents</u>	<u>(33.10) cents</u>

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# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020

	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	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2019 (audited)	2,068	3,168,665	7,914	8,484	(3,966)	(5,891)	(2,953,035)	224,239	32,981	257,220
(Loss) profit for the period	-	-	-	-	-	-	(77,272)	(77,272)	176	(77,096)
Other comprehensive expense for the period	-	-	-	-	-	(3)	-	(3)	-	(3)
Total comprehensive (expense) income for the period	-	-	-	-	-	(3)	(77,272)	(77,275)	176	(77,099)
Issuance of shares upon placing	743	18,249	-	-	-	-	-	18,992	-	18,992
Transaction cost attributable to issuance of shares upon placing	-	(386)	-	-	-	-	-	(386)	-	(386)
At 30 September 2019 (unaudited)	2,811	3,186,528	7,914	8,484	(3,966)	(5,894)	(3,030,307)	165,570	33,157	198,727
At 1 January 2020 (audited)	2,811	3,186,343	7,914	8,484	(4,820)	(8,987)	(3,131,075)	60,670	30,721	91,391
(Loss) profit for the period	-	-	-	-	-	-	(45,675)	(45,675)	382	(45,293)
Other comprehensive income for the period	-	-	-	-	-	2	-	2	-	2
Total comprehensive income (expense) for the period	-	-	-	-	-	2	(45,675)	(45,673)	382	(45,291)
Rights issue of shares on 14 September 2020	1,405	9,838	-	-	-	-	-	11,243	-	11,243
Transaction cost attributable to rights issue	-	(621)	-	-	-	-	-	(621)	-	(621)
At 30 September 2020 (unaudited)	4,216	3,195,560	7,914	8,484	(4,820)	(8,985)	(3,176,750)	25,619	31,103	56,722

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

## 1. COMPANY INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**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 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 and trading business.

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 statements for the nine months ended 30 September 2020 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 2020 are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2019, except for the new and amendments to HKFRSs and interpretations issued by HKICPA that are first effective for the current accounting period of the Company. There has been no material impact to the accounting policy applied in these unaudited condensed consolidated financial statements for the period presented as a result of adoption of these amendments.

The financial statements have been prepared on a going concern basis, assuming that the Group will continue to operate as a going concern. The validity of the Group’s ability to continue as a going concern depends on the success of the Group’s future operations.

### 3. REVENUE

Revenue represents the aggregate of rental income, interest income from loan financing, sales of goods and dividend income from investments held for trading during the period. The following is an analysis of the Group's revenue:

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	86	357	516	1,071
Interest income from the provision of loan financing	1,511	399	2,721	1,177
Sales of goods	–	492	–	492
Dividend income from financial assets at fair value through profit or loss	–	–	–	6
	<u>1,597</u>	<u>1,248</u>	<u>3,237</u>	<u>2,746</u>

### 4. OTHER INCOME

The analysis of the Group's other income for the period are follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	1	1	1	3
Government subsidy under Employment Support Scheme	197	–	880	–
Sundry income	(86)	312	1	509
	<u>112</u>	<u>313</u>	<u>882</u>	<u>512</u>

## 5. OTHER GAINS AND LOSSES

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Impairment loss recognised in respect of goodwill	-	-	-	(1,660)
Written-off of intangible assets	(1)	(5,732)	(1)	(5,732)
Gain on disposal of an investment property	-	-	-	400
Loss on disposals of financial assets at fair value through profit or loss, net	(26)	(3,271)	(388)	(6,812)
Gain on disposal of subsidiaries	10	-	110	1,511
Loss from changes in fair value of investment properties, net	-	-	(550)	5,260
Gain on disposal of plant and equipment, net	-	2,626	-	2,626
Gain on disposal of right-of-use assets	87	456	87	456
Impairment loss on right-of-use assets	-	(15,404)	-	(15,404)
(Loss) gain from changes in fair value of financial assets at FVTPL, net	(1,122)	1,357	(129)	(3,727)
	<u>(1,052)</u>	<u>1,357</u>	<u>(129)</u>	<u>(3,727)</u>
	<u><b>(1,052)</b></u>	<u><b>(19,968)</b></u>	<u><b>(871)</b></u>	<u><b>(23,082)</b></u>

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reversal of impairment loss recognised on other receivables	-	-	283	-
Impairment loss recognised on amount due from an associate	-	-	-	(25)
	<u>-</u>	<u>-</u>	<u>283</u>	<u>(25)</u>
	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>283</b></u>	<u><b>(25)</b></u>

## 7. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:				
Bank borrowings	(253)	2,041	579	4,086
Other loans	5,483	2,264	14,007	8,641
Bond payables	1,294	947	3,804	2,834
Lease liabilities/obligations under finance leases	282	19	915	50
Margin accounts	–	86	–	455
	<u>6,806</u>	<u>5,357</u>	<u>19,305</u>	<u>16,066</u>

## 8. INCOME TAX CREDIT

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the nine months ended 30 September 2020 and 30 September 2019. The amount of approximately HK\$50,000 income tax credit represents over-provision in respect of prior year.

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 the nine months ended 30 September 2020 and 30 September 2019.

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



## 9. LOSS FOR THE PERIOD

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
Staff costs including directors' emoluments:				
Salaries and allowances	4,283	5,822	13,113	17,570
Contributions to retirement benefits scheme	46	(115)	324	455
	4,329	5,707	13,437	18,025
Depreciation of plant and equipment	329	507	994	1,686
Amortisation of prepaid lease payment	344	65	1,517	259
Minimum lease payments under operating leases	163	2,757	919	4,743
Gross rental income	(86)	(357)	(516)	(1,071)
Less: outgoings (included in cost of sales)	34	51	55	123
Net rental income	<u>(52)</u>	<u>(306)</u>	<u>(461)</u>	<u>(948)</u>

## 10. DIVIDEND

No dividend was paid or proposed for ordinary shares of the Company during the nine months ended 30 September 2020 and 30 September 2019, nor has any dividend been proposed since 30 September 2020 and up to the date of this announcement.

## 11. LOSS PER SHARE

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Loss</b>				
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(14,982)</u>	<u>(36,712)</u>	<u>(45,675)</u>	<u>(77,272)</u>
	'000	'000	'000	'000
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>289,816</b>	233,462	<b>289,816</b>	233,462
Effect of dilutive potential ordinary shares – Share options	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u><b>289,816</b></u>	<u>233,462</u>	<u><b>289,816</b></u>	<u>233,462</u>

The computation of diluted loss per share for the nine months ended 30 September 2020 and 30 September 2019 does not assume the exercise of the Company's share options, since it would result in a decrease in loss per share for the period which is regarded as anti-dilutive.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Performance

For the nine months ended 30 September 2020, the Group recorded a revenue of approximately HK\$3,237,000 (nine months ended 30 September 2019: approximately HK\$2,746,000), representing an increase of approximately 17.9% as compared with the last corresponding period. Increase in revenue was mainly contributed by increase in revenue of loan financing business during the nine months ended 30 September 2020.

Administrative expenses for the nine months ended 30 September 2020 was approximately HK\$31,605,000 (nine months ended 30 September 2019: approximately HK\$43,095,000), representing a decrease of 26.7% as compared with the last corresponding period. The decrease in expenses was mainly due to decrease in consultancy fee, professional fees and staff costs.

The Group incurred finance costs of approximately HK\$19,305,000 for the period ended 30 September 2020 (nine months ended 30 September 2019: approximately HK\$16,066,000), which mainly comprised interest on interest-bearing bank borrowing, other loans and bonds.

The loss attributable to the owners of the Company for the nine months ended 30 September 2020 aggregated at approximately HK\$45,675,000 (nine months ended 30 September 2019: approximately HK\$77,272,000). Loss for the period was mainly attributable to loss from change in fair value in investment properties of approximately HK\$550,000, loss on disposals of financial assets at fair value through profit or loss (“FVTPL”) of approximately HK\$388,000, loss arising from changes in fair value of financial assets at FVTPL of approximately HK\$129,000, staff cost and Directors’ emoluments of approximately HK\$13,113,000 and professional fee of approximately HK\$2,965,000. The basic loss per share for the nine months ended 30 September 2020 was HK15.76 cents (nine months ended 30 September 2019: HK33.10 cents).

### Business Review and Outlook

The Group recorded a rental income of approximately HK\$516,000 for the nine months ended 30 September 2020 (nine months ended 30 September 2019: approximately HK\$1,071,000) through properties leasing. All the properties are for residential use and currently in vacant status. Given that the local COVID-19 outbreak is alleviating and the economy is starting to revive, and that the property prices and leasing are likely to pick up in the next six months, the management will adopt a cautiously optimistic approach to the property market.

As at 30 September 2020, the Group had financial assets at FVTPL amounted to approximately HK\$512,000, representing 0.1% of the total assets of the Group (31 December 2019: approximately HK\$4,725,000). During the period under review, the Group recorded a loss arising from changes in fair values of financial assets at FVTPL of approximately HK\$129,000 (nine months ended 30 September 2019: approximately HK\$3,727,000) and a loss on disposals of financial assets at FVTPL of approximately HK\$388,000 (nine months ended 30 September 2019: approximately HK\$6,812,000). The Group held certain unlisted instruments classified as equity instruments at fair value through other comprehensive income, amounted to approximately HK\$1,167,000 as at 30 September 2020 (31 December 2019: approximately HK\$1,752,000).

The Group's loan financing business was satisfactory. As compared with the same period last year, the interest income was increased by 131% from approximately HK\$1,177,000 to approximately HK\$2,721,000. The Group will continue to adopt a prudent and cautious approach for seeking new customers. The development of the loan financing business will depend on the market and the assessment of the repayment ability of the potential clients.

The Group recorded no revenue from tea leaves trading business for the nine months ended 30 September 2020 (nine months ended 30 September 2019: approximately HK\$492,000). The Group will continue to explore other potential trading products with reasonable returns.

On 29 January 2020, the Company issued a bond in the amount of HK\$10,000,000, which was due on 29 October 2020, to an independent third party. The due date of the bond has been extended to 29 July 2021. The bond is secured and bearing interest rate at 13.5% per annum. During the extended period, interest rate is increased to 15% per annum.

Two deeds of mortgage were made on the same day (the “**Deed of Mortgage I**” and the “**Deed of Mortgage II**”). Under and pursuant to the Deed of Mortgage I and the Deed of Mortgage II, Sun Famous Investment Limited (“**Sun Famous**”) and Hong Kong Newrich Limited (“**Hong Kong Newrich**”), the indirect wholly-owned subsidiaries of the Company, are the registered and beneficial owners and are otherwise in possession of investment properties, charged the properties as securities for the due payment of all sums of money payable or which may at any time thereafter or from time to time become payable to the bondholder by Sun Famous and Hong Kong Newrich and/or by the Company whether or not under or pursuant to the bond or under or pursuant to any other agreement, or pursuant to any covenant or condition contained in the Deed of Mortgage I and Deed of Mortgage II.

On 25 March 2020, Best Marvel Investment Limited (“**Best Marvel**”), an indirect wholly-owned subsidiary of the Company and the holding company of Sun Famous, issued a non-redeemable convertible bond in the principal amount of HK\$4,000,000 at 9% coupon rate which maturing on 25 March 2021 and extendable to 25 September 2021 by Best Marvel issuing notice in writing to the bondholder(s), and any exercising of conversion rights attached thereto shall be subject to approval by shareholders of the Company as well as such other conditions precedent as set out in the relevant bond instrument, and upon exercising of the conversion rights attached thereto, the bondholder(s) may convert the principal amount, excess of HK\$4,000,000 or a part thereof into up to 200 ordinary shares in Sun Famous held by Best Marvel at the conversion price of HK\$40,000.

On 25 March 2020, Unique Jade International Limited (“**Unique Jade**”), also an indirect wholly-owned subsidiary of the Company and the holding company of Hong Kong Newrich, issued a non-redeemable convertible bond in the principal amount of HK\$4,000,000 at 9% coupon rate which maturing on 25 March 2021 and extendable to 25 September 2021 by Unique Jade issuing notice in writing to the bondholder(s) and any exercising of conversion rights attached thereto shall be subject to approval by shareholders of the Company as well as such other conditions precedent as set out in the relevant bond instrument, and upon exercising of the conversion rights attached thereto, the bondholder(s) may convert the principal amount, excess of HK\$4,000,000 or a part thereof into up to 200,000 ordinary shares in Hong Kong Newrich held by Unique Jade at the conversion price of HK\$30.

On 4 June 2020, Fameway Finance Limited (“**Fameway Finance**”), a wholly-owned subsidiary of the Group, entered into the loan agreement with Fortunate Soar International Limited (the “**Borrower I**”), pursuant to which Fameway Finance agreed to provide to the Borrower I a loan of HK\$5,000,000 for a term of 6 months (the “**Loan Agreement I**”). Details of the Loan Agreement I are set out in the announcements of the Company dated 4 June 2020, 11 June 2020 and 23 June 2020.

On 5 June 2020, Fameway Finance entered into the loan agreement with GFL (Murray) Holdings Limited (the “**Borrower II**”), pursuant to which Fameway Finance agreed to provide to the Borrower II a loan of HK\$5,000,000 for a term of 6 months (the “**Loan Agreement II**”). Details of the Loan Agreement II are set out in the announcement of the Company dated 8 June 2020 and 28 September 2020.

Looking forward to the fourth quarter of 2020 and the year of 2021, the macroeconomic environment remains pessimistic, the market conditions for Hong Kong remain uncertain and continue to face challenges. Hong Kong will be exposed to increasing risks and difficulties, mainly from trade war between China and the US, the continuing local political and social events, the outbreak of COVID-19 in Hong Kong and around the world, and China’s economic growth is forecast to decelerate this year.

Overall, the Group is actively attempting to improve the performance of its various business operations, and from time to time, to explore business opportunities in different sectors in order to broaden its revenue stream. Given that the overall business environment will likely be challenging, volatile and unpredictable, the management will maintain a very cautious and practical approach in managing the Company's business operations. The Group will no doubt act cautiously and prudently moving forward.

### **Fund Raising Activities**

On 26 May 2020, the Company proposed to raise not less than approximately HK\$11,243,836 and not more than approximately HK\$11,345,668, before expenses, by way of the rights issue (the "**Rights Issue**"), by issuing not less than 140,547,956 rights shares (assuming no outstanding share options are exercised on or before 30 June 2020, being the date for the determination of the entitlements under the Rights Issue (the "**Record Date**")) and not more than 141,820,854 rights shares (assuming all outstanding share options are exercised in full on or before the Record Date) at the subscription price of HK\$0.08 per rights share on the basis of one (1) rights share for every two (2) existing shares held on the Record Date.

The Rights Issue was completed on 14 September 2020. The net proceeds of the Rights Issue were approximately HK\$10,162,000.

Details of the Rights Issue are set out in the announcements of the Company dated 26 May 2020, 30 June 2020, 15 July 2020, 23 July 2020 and 11 September 2020 and the prospectus of the Company dated 21 August 2020.

On 14 September 2020, Asiatic Management Limited ("**Asiatic**"), an indirect wholly-owned subsidiary of the Company and the Arranger entered into a placing agreement pursuant to which the Arranger has conditionally agreed to, on a best effort basis, procure placees to subscribe for the convertible bond (the "**CB**") in the aggregate principal amount of up to HK\$198,000,000. The CB, upon full conversion, are convertible into 1,800,000,000 new shares of the Company at the CB conversion price of HK\$0.11 per share which shall be allotted and issued by the Company under specific mandate. The maximum gross proceeds from the CB Placing will be HK\$198,000,000.

Completion of the above transactions are subject to, among others, shareholders' approval and the fulfilment of the conditions precedent set out in Clause 2 of the placing agreement.

Details of the CB Placing are set out in the announcement of the Company dated 14 September 2020.

## **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 2020, the Group had cash and cash equivalent of approximately HK\$2,354,000 (31 December 2019: approximately HK\$1,250,000), interest-bearing borrowings of approximately HK\$153,479,000 (31 December 2019: approximately HK\$114,959,000) and bond payables of HK\$68,605,000 (31 December 2019: HK\$50,000,000).

As at 30 September 2020, the gearing ratio (measured as total liabilities to total assets) was approximately 84.4% (31 December 2019: approximately 74.2%).

## **Capital Structure**

As at 30 September 2020 after the Rights Issue of shares on 14 September 2020, the Company's issued share capital was HK\$4,216,439 (31 December 2019: HK\$2,810,959), divided into 421,643,869 shares of HK\$0.01 each (31 December 2019: 281,095,913 shares of HK\$0.01 each).

## **Capital Commitments**

As at 30 September 2020 and 31 December 2019, the Group did not have any capital commitments.

## **Contingent Liabilities**

As at 30 September 2020 and 31 December 2019, the Group did not have any material contingent liability.

## **Charges on Assets**

As at 30 September 2020, investment properties and certain financial assets at FVTPL with an aggregate carrying value of approximately HK\$130,815,000 (31 December 2019: approximately HK\$131,389,000) have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

## **Significant Investment**

Save as disclosed in this announcement, the Group did not have any other significant investment during the nine months ended 30 September 2020.

## **Litigations**

Reference are made to page 14 of 2019 Annual Report and page 28 of 2020 Interim Report of the Company which disclose particulars on and progress of litigation matters in which the Company and/or its subsidiaries are involved.

On 18 November 2019, the Company received a statutory demand (the “**Statutory Demand**”) dated 18 November 2019 issued by the legal representative of a purported creditor demanding the Company to settle a sum of approximately HK\$1,443,000 plus interest (the “**Relevant Sum**”). The Statutory Demand was issued pursuant to section 178(1)(a) or 374(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. If the Company fails to repay the Relevant Sum within 3 weeks after the service of the Statutory Demand, a winding-up order may be made in respect of the Company. The Company has settled the Relevant Sum and this matter has been resolved.

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

## **DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS IN SHARES OF THE COMPANY**

As at 30 September 2020, 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 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 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	Number of underlying shares	Approximate percentage of the issued share capital
Lam Kwok Hing Wilfred	Beneficial owner	–	323,427 (Note)	0.0767%
Chan Shui Sheung Ivy	Beneficial owner	13,500	323,427 (Note)	0.0799%
Mok Tsan San	Beneficial owner	–	323,427 (Note)	0.0767%

### Note:

All underlying shares are share options granted by the Company on 23 March 2016 under the Company's share option scheme at the exercise price of HK\$6.1640 per share which was adjusted after taking into account the effect of the open offer and share consolidation of the shares became effective on 26 June 2017 and 27 June 2017 respectively. Following the rights issue on 14 September 2020, the exercise price of the outstanding share options was adjusted from HK\$6.1640 to HK\$5.6769. The number of underlying shares was adjusted from 297,870 to 323,427.

Save as disclosed above, as at 30 September 2020, 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 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 2020 was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the nine months ended 30 September 2020.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 September 2020, 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 Exchange were as follows:

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

<b>Name of Shareholders</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Total approximate percentage of interests</b>
Tse Young Lai	Beneficial owner	80,906,400	19.19%

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 2020 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 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 2020.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 2020.

## AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company’s annual reports and financial statements, interim reports, quarterly reports and risk management and internal control systems and to provide comments thereon to the Board.

The Audit Committee has reviewed the Group’s unaudited condensed consolidated financial statements and this quarterly results announcement for the nine months ended 30 September 2020 and has provided comments thereon.

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

Hong Kong, 11 November 2020

*As at the date hereof, the Company’s 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.*