

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



華人策略控股有限公司

Chinese Strategic Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 8089)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE DISCLOSEABLE TRANSACTION DISPOSAL OF PROPERTY FOR DEBT SETTLEMENT

Reference is made to the announcement of Chinese Strategic Holdings Limited (the “**Company**”) dated 30 August 2019 (the “**Announcement**”) in relation to the disposal of property for debt settlement which constituted a discloseable transaction of the Company. Unless defined otherwise, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to provide certain additional information in relation to the Disposal.

FACTORS CONSIDERED BY THE BOARD

(i) Factors of Location – Severely hit by extreme weather recent years

Tinian, an island situated in Pacific Ocean where affects by typhoon in summer. However, due to the extremely weather change in recent years, the destruction by typhoon severely hit the island. Since 2015, CNMI, of which Tinian forms a part, has suffered multiple typhoons. As disclosed previously by the Group, an intense tropical cyclone attacked Tinian in mid-2015 and severely damaged the international airport and other infrastructure of Tinian, since then, visitors to the island dropped substantially. The casino in the Tinian Dynasty Hotel & Casino (the “**Hotel Resort**”) was suspended and the hotel closed down eventually in March 2016.

The typhoons have caused destruction to infrastructure such as electricity and water supply and to houses and hotels in CNMI. When the Category 5 Super Typhoon Yutu rampaged through CNMI in October 2018, it left behind storm damage that residents are calling the worst they have ever experienced. It's also reported as the worst U.S. storm since 1935, which caused massive destruction to CNMI, including Tinian. The rebuilding work is still underway even half a year after Yutu wreaked havoc on Tinian and Saipan.

The continuous super strong typhoons swept Tinian year by year is one of the major reasons to have deterred any potential investment to be made in Tinian as the construction and rebuilding time and cost is highly uncertain.

(ii) Factors of development potential – the latest city planning of CNMI

According to the Population Forecasts for Master Planning by CNMI Department of Public Lands dated 31 January 2018 (the “**Master Plan**”), there is a plan that Tinian may become an alternative military airfield if facilities at Guam are unavailable due to military or natural emergencies. U.S. Department of Defense has promised to improve port and airport facilities for civilian and tourism uses along with military uses. However, Marianas Visitors Authority still anticipates negative Tinian tourism impacts due to military jet aircraft noise and may lose primary tourism sites of northern two thirds of the island. The unscheduled conflicts between commercial and military flights may also have negative impact on tourism.

Based on the latest available visitor arrival statistics of Marianas Visitors Authority, number of tourists to CNMI decreased by 32.9% from 507,116 visitors for fiscal year 2018 to 340,327 visitors for fiscal year 2019.

(iii) Factors of development funding needs – the new labour policy

According to the Master Plan, the CNMI hospitality industry is particularly dependent on foreign labor, with more than 80 percent of workers from outside CNMI or the United States. However, in January 2019, the administration of U.S. President Donald Trump announced that workers from the Philippines would no longer be eligible for a special visa program for CNMI to procure workers due to abuse of the program. This newly imposed policy preventing the U.S. Pacific territories of Saipan and Tinian from rebuilding after a devastating typhoon last year. Saipan and Tinian are more than 5,000 miles west of California, which has made it difficult for the islands to attract workers from the mainland U.S. Instead, CNMI has traditionally relied on foreigners from nearby countries, especially China and the Philippines. And the cost of labour from U.S. is substantially higher than those from Asian countries.

The new labour policy mentioned above drives up labor costs which gets in the way of potential investors in the development of hotel and/or casino on Tinian, which in turn would harm the tourism of CNMI.

(iv) Factors of liquidity of the Property

The Property is adjacent to the land where the Hotel Resort is located, hence, at the time when the Hotel Resort was in business, the Company was of the view that the Property would have commercial development potential if the business operations of the Hotel Resort continued to grow. However, the Hotel Resort was closed down eventually in March 2016.

The Company has conducted research on the recent transactions of land in Tinian. However, not much information is able to make meaningful reference. There are two relatively reliable comparables were adopted by the Valuer (as defined below) with reference to the working of Valuation Report (as defined below).

The Company has made efforts to seek potential purchasers for the Property without any success. Due to the possible vast capital investment required to develop the Property (which has no pre-existing infrastructure facilities whatsoever) coupled with the closing down of the Hotel Resort. As such, the Company has only received one informal verbal offer from an independent third party for the Property in the region of HK\$3 million to HK\$4 million subject to further negotiation upon completion of further due diligence by the third party.

In consideration of the reasons disclosed in the Announcement and the abovementioned factors, the Directors are of the view that the Disposal is the best option to relieve the liabilities of the Group by realising the value of the Property and is in the interests of the Company and the Shareholders as a whole.

THE VALUE OF THE PROPERTY

The unaudited carrying amount of the Property as at 30 June 2019 was approximately HK\$18,920,000. A preliminary valuation on the Property as at 31 July 2019 was conducted by an independent valuer and the finalised valuation report (the “**Valuation Report**”) was signed and issued by an independent valuer on 16 August 2019. According to the Valuation Report, the value of the Property is US\$1,850,000 as at 31 July 2019.

INFORMATION OF THE VALUATION REPORT

The Valuation Report was carried out by Valtech Valuation Advisory Limited (the “**Valuer**”).

(i) The Valuation Methodology

The Valuer valued the Property interests by direct comparison approach assuming sale of the Property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

Direct comparison method is based on the principle of substitution, where comparison is made based on prices realised on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

(ii) The Valuation Assumptions

The valuation has been made on the assumption that the seller sells the Property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangements which could serve to affect the value of the property interests.

No allowance has been made in the Valuer’s valuation for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, the Valuer assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

The Valuer has relied on the information given by the Company on matters such as tenure, planning approvals, statutory notices, easements, and particulars of occupancy, lettings, and all other relevant matters.

The Valuer has not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to the Company are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

Upon the Company's enquiry to the Valuer and disclosure in the Valuation Report, the valuation is prepared based on the direct comparison approach, therefore the factors considered by the Board as mentioned above were not explicitly considered by the Valuer in preparing the Valuation Report.

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

Hong Kong, 11 October 2019

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 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 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 on the Company website at www.chinesestrategic.com from the date of its publication.