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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF SUBSIDIARIES

THE FIRST DISPOSAL AND THE SECOND DISPOSAL

The Board announces that on 6 November 2019 (after trading hours):

1. Rich Best, a subsidiary of the Company, the Company and First Champion have entered into the First SPA, pursuant to which (i) First Champion has agreed to purchase and Rich Best has agreed to sell the First Sale Shares and (ii) the Company has agreed to assign and First Champion has agreed to accept the assignment of the First Sale Loan at the consideration of HK\$9,280,001; and
2. Key Model, a subsidiary of the Company, the Company and Luck Bloom have entered into the Second SPA, pursuant to which (i) Luck Bloom has agreed to purchase and Key Model has agreed to sell the Second Sale Shares and (ii) the Company has agreed to assign and Luck Bloom has agreed to accept the assignment of the Second Sale Loan at the consideration of HK\$8,980,001.

GEM LISTING RULES IMPLICATIONS

As (i) the applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the First Disposal is more than 5% but are less than 25% and (ii) the applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the Second Disposal is more than 5% but are less than 25%, each of the First Disposal and the Second Disposal constitutes a discloseable transaction for the Company and is subject to notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

The Board announces that on 6 November 2019 (after trading hours):

1. Rich Best, a subsidiary of the Company, the Company and First Champion have entered into the First SPA, pursuant to which (i) First Champion has agreed to purchase and Rich Best has agreed to sell the First Sale Shares and (ii) the Company has agreed to assign and First Champion has agreed to accept the assignment of the First Sale Loan at the consideration of HK\$9,280,001; and
2. Key Model, a subsidiary of the Company, the Company and Luck Bloom have entered into the Second SPA, pursuant to which (i) Luck Bloom has agreed to purchase and Key Model has agreed to sell the Second Sale Shares and (ii) the Company has agreed to assign and Luck Bloom has agreed to accept the assignment of the Second Sale Loan at the consideration of HK\$8,980,001.

Details of the First Disposal and the Second Disposal are set out below:

THE FIRST DISPOSAL

The principal terms of the First SPA are as follows:

Date of the First SPA: 6 November 2019

Parties:

- (a) Rich Best Asia Limited, a subsidiary of the Company (as the vendor)
- (b) First Champion Worldwide Limited (as the purchaser)
- (c) The Company

The assets disposed of in the First Disposal

Pursuant to the First SPA, (i) Rich Best shall sell and transfers to First Champion and First Champion shall purchase from Rich Best the First Sale Shares, free from any Encumbrance whatsoever, and (ii) the Company shall assign to First Champion and the First Champion shall accept the assignment of the entire amount of the First Sale Loan.

As at the date of this announcement, the First Sale Shares represent the entire issued share capital of Alpaco and is legally and beneficially owned by Rich Best.

As at the date of this announcement, the First Sale Loan represents a shareholder's loan in the amount of HK\$5,767,607.03 which is due and owed by Alpaco to the Company.

The consideration for the First Disposal

The aggregate consideration for the First Disposal is HK\$9,280,001 which shall be settled in the following manner:

- (a) First Champion shall, upon the execution of the First SPA, pay HK\$30,000 to the Company (as nominee of Rich Best) as refundable deposit;
- (b) a sum of HK\$8,650,000 shall be payable by First Champion to the relevant party as directed by Rich Best for the discharge of mortgage loan and repayment of mortgage loan interest in relation to the First Property; and
- (c) the remaining balance of the consideration shall be payable by First Champion to the Company within 5 days after settlement of the sum stated in (b) above.

The consideration shall be settled by First Champion in cash.

Basis of consideration

The consideration for the First Disposal was arrived after arm's length negotiation between Rich Best and First Champion on normal commercial terms principally with reference to the prevailing property market and the market price of the similar properties in the vicinity to the First Property.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the First Disposal are fair and reasonable and are in the interests of the Company and the Shareholders.

Conditions precedent of the First Disposal

Completion of the First Disposal was conditional upon fulfilment of, among others, the following conditions precedent:

- (a) all requisite consents, authorisations and approvals in connection with the entering into and performance of the terms of the First SPA having been obtained by the respective parties;
- (b) First Champion having completed the due diligence investigations on the title of the First Property as well as legal, financial, business and other aspects and affairs of Alpaco, and on Alpaco's assets, liabilities, activities, operations, prospects and affairs as it may consider appropriate, and the results and outcome of such due diligence review being reasonably satisfactory to First Champion; and
- (c) all the warranties given by Rich Best, First Champion and the Company under the First SPA remain true, accurate and effective in all respects.

Completion of the First Disposal

Subject to the fulfillment or waiver (as the case may be) of all the conditions precedents, completion of the First Disposal shall take place within five (5) business days after satisfaction and/or fulfilment (or waiver, whichever shall be appropriate) of all the conditions precedents, or such later date as the parties to the First SPA may agree in writing.

Information of Alpaco

Alpaco is an investment holding company incorporated in British Virgin Islands with limited liability and is registered as a non-Hong Kong company. It is an indirectly wholly-owned subsidiary of the Company. The principal business of Alpaco is property-holding and its principal asset is the First Property.

Before Completion, Alpaco has issued and allotted 10,000 ordinary shares. Rich Best, a subsidiary of the Company, is the sole legal and beneficial owner of the 10,000 ordinary shares. Upon completion of the First Disposal, the Company will cease to have any interests in Alpaco and Alpaco will cease to be a subsidiary of the Company. The financial results of Alpaco will no longer be consolidated into the Group's financial statements.

Financial information on Alpaco

The financial information of Alpaco for the two financial years ended 31 December 2017 and 2018 based on its audited accounts are as follows:

	Year ended 31 December 2017 (audited) HK\$'000 (approximately)	Year ended 31 December 2018 (audited) HK\$'000 (approximately)
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Results

Turnover	156	156
Net loss before taxation	(914)	(798)
Net loss after taxation	(914)	(798)

	As at 31 December 2017 (audited) HK\$'000 (approximately)	As at 31 December 2018 (audited) HK\$'000 (approximately)
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Assets and liabilities

Total assets	11,419	11,803
Total liabilities	(12,543)	(13,725)
Net liabilities	(1,124)	(1,922)

Financial effect of the First Disposal

Upon completion of the First Disposal, the Group is expected to record an unaudited loss on the First Disposal of approximately HK\$2.8 million.

GEM Listing Rules implications

As the applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the First Disposal is more than 5% but are less than 25%, the First Disposal constitute a discloseable transaction for the Company and is subject to notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

THE SECOND DISPOSAL

The principal terms of the Second SPA are as follows:

Date of the Second SPA: 6 November 2019

- Parties:
- (a) Key Model Limited, a subsidiary of the Company (as the vendor)
 - (b) Luck Bloom International Limited (as the purchaser)
 - (c) The Company

Assets disposed of in the Second Disposal

Pursuant to the Second SPA, (i) Key Model shall sell and transfer to Luck Bloom and Luck Bloom shall purchase from Key Model the Second Sale Shares, free from any Encumbrances whatsoever, and (ii) the Company shall assign to Luck Bloom and Luck Bloom shall accept the assignment of the entire amount of the Second Sale Loan.

As at the date of this announcement, the Second Sale Shares represent approximately 88.89% of the total issued shares of Watson China and are legally and beneficially owned by Key Model.

As at the date of this announcement, the Second Sale Loan represents a shareholder's loan in the amount of HK\$3,929,631.20 which is due and owed by Watson China to the Company.

The consideration for the Second Disposal

The aggregate consideration for the Second Disposal is HK\$8,980,001 which shall be settled in the following manner:

- (a) Luck Bloom shall, upon the execution of the Second SPA, pay HK\$380,000 to the Company (as nominee of Key Model) as refundable deposit;
- (b) a sum of HK\$7,000,000 shall be payable by Luck Bloom to the relevant party as directed by Key Model for the discharge of mortgage loan and repayment of mortgage loan interest in relation to the Second Property; and
- (c) the remaining balance of the consideration shall be payable by Luck Bloom to the Company within 5 days after settlement of the sum stated in (b) above.

Basis of consideration

The consideration for the Second Disposal was arrived after arm's length negotiation between Key Model and Luck Boom on normal commercial terms principally with reference to the prevailing property market and the market price of the similar properties in the vicinity to the Second Property.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Second Disposal are fair and reasonable and are in the interests of the Company and the Shareholders.

Conditions precedent of the Second Disposal

Completion of the Second Disposal was conditional upon fulfilment of, among others, the following conditions precedent:

- (a) all requisite consents, authorisations and approvals in connection with the entering into and performance of the terms of the Second SPA having been obtained by the respective parties;
- (b) Luck Bloom having completed the due diligence investigations on the title of the Second Property as well as legal, financial, business and other aspects and affairs of Watson China, and on Watson China's assets, liabilities, activities, operations, prospects and affairs as it may consider appropriate, and the results and outcome of such due diligence review being reasonably satisfactory to Luck Bloom;
- (c) all the warranties given by Key Model, Luck Bloom and the Company under the Second SPA remain true, accurate and effective in all respects; and
- (d) the other shareholders of Watson China having no objection to the Second Disposal.

Completion of the Second Disposal

Subject to the fulfillment or waiver (as the case may be) of all the conditions precedents, completion of the Second Disposal shall take place within five (5) business days after satisfaction and/or fulfilment (or waiver, whichever shall be appropriate) of all the conditions precedents, or such later date as the parties of the Second SPA may agree in writing.

Information of Watson China

Watson China is a company incorporated in Hong Kong with limited liability. The principal business of Watson China is property-holding and its principal asset is the Second Property.

Before Completion, Watson China has issued and allotted 900,000 ordinary shares. Key Model, a subsidiary of the Company, is the legal and beneficial owner of 800,000 ordinary shares, representing approximately 88.89% of the total issued shares of Watson China. Upon completion of the Second Disposal, the Company will cease to have any interests in Watson China and Watson China will cease to be a subsidiary of the Company. The financial results of Watson China will no longer be consolidated into the Group's financial statements.

Financial information of Watson China

The financial information of the Watson China for the two financial years ended 31 December 2017 and 2018 based on its audited accounts are as follows:

	Year ended 31 December 2017 (audited) HK\$'000 (approximately)	Year ended 31 December 2018 (audited) HK\$'000 (approximately)
Results		
Turnover	20	240
Net loss before taxation	(465)	(1,329)
Net loss after taxation	(490)	(1,337)

	As at 31 December 2017 (audited) <i>HK\$'000</i> <i>(approximately)</i>	As at 31 December 2018 (audited) <i>HK\$'000</i> <i>(approximately)</i>
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Assets and liabilities

Total assets	8,759	8,319
Total liabilities	(9,522)	(10,419)
Net liabilities	(763)	(2,100)

Financial effect of the Second Disposal

Upon completion of the Second Disposal, the Group is expected to record an unaudited gain on the Second Disposal of approximately HK\$0.2 million.

GEM Listing Rules implications

As the applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the Second Disposal is more than 5% but are less than 25%, the Second Disposal constitute a discloseable transaction for the Company and is subject to notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

REASONS AND BENEFITS FOR THE FIRST DISPOSAL AND THE SECOND DISPOSAL

The Group is principally engaged in businesses of properties investments, securities trading, loan financing and trading business.

Aplaco and Watson China are the holding company of two residential properties which are located in Hong Kong. The First Disposal and the Second Disposal provide an opportunity for the Group to realise its investments of properties in Alpaco and Watson China. In view of the significant increase in property prices in Hong Kong in recent years and the uncertainty created by recent political and social events, it is uncertain whether the properties held by the two companies will have any further capital appreciation. Hence, the Company considered that it is an opportunity to realise the investments to reduce the liabilities of the Group and improve its financial position.

Based on the above, the Directors consider that the terms of the First Disposal and the Second Disposal are fair and reasonable, and the First Disposal and the Second Disposal are in the interests of the Company and the Shareholders as a whole.

The Company will apply the net proceeds from the First Disposal and the Second Disposal for repayment of outstanding liabilities of the Group and general working capital of the Group.

INFORMATION ON FIRST CHAMPION AND LUCK BLOOM

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (i) First Champion and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons (as defined under the GEM Listing Rules); and (ii) First Champion is a company incorporated in British Virgin Islands with limited liability and is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (i) Luck Bloom and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons (as defined under the GEM Listing Rules); (ii) Luck Bloom is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

To the best of Directors' knowledge, information and belief and having made all reasonable enquiries, First Champion and Luck Bloom are not connected or otherwise associated with one another.

INFORMATION OF THE COMPANY

The Group is principally engaged in businesses of properties investments, securities trading, loan financing and trading business.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Alpaco”	Alpaco Company Limited, a company incorporated in the British Virgin Islands with limited liability, a subsidiary of the Company prior to completion of the First Disposal;
“Board”	the board of Directors;

“Business Day”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which commercial banks are generally open for business in Hong Kong;
“Company”	Chinese Strategic Holdings Limited (華人策略控股有限公司), a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM;
“Director(s)”	the director(s) of the Company;
“Encumbrances”	means any mortgage, charge, pledge, lien, deed of trust, hypothecation, security interest, title retention or any other agreement or arrangement the effect of which is the creation of security, or any equity or other interest or right of any third person or any right to acquire, option, right of first refusal, right of pre-emption or restriction, or any agreement or arrangement to create any of the same or having similar effect;
“First Champion”	First Champion Worldwide Limited, a company incorporated in the British Virgin Islands with limited liability;
“First Disposal”	the disposal of the First Sale Shares and the assignment of the First Sale Loan pursuant to the terms and conditions of the First SPA;
“First Property”	a property situate at Flat C on 29th Floor of Tower 3 and Car Parking Space No. R206 on 2nd Floor, Sky Tower, 38 Sung Wong Toi Road, Kowloon, Hong Kong;
“First Sale Loan”	a shareholder’s loan in the amount of HK\$5,767,607.03 which is due and owed by Alpaco to the Company;
“First Sale Shares”	10,000 issued and fully paid up or credited as fully paid up ordinary shares in the capital of Alpaco, representing 100% of the issued share capital of Alpaco;
“First SPA”	the sale and purchase agreement dated 6 November 2019 entered into among First Champion, Rich Best and the Company in relation to the First Disposal;

“GEM”	the GEM of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong SAR;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Key Model”	Key Model Limited, a company incorporated in the British Virgin Islands with limited liability;
“Luck Bloom”	Luck Bloom International Limited, a company incorporated in Hong Kong with limited liability;
“Rich Best”	Rich Best Asia Limited, a company incorporated in the British Virgin Islands with limited liability;
“Second Disposal”	the disposal of the Second Sale Shares and the assignment of the Second Sale Loan pursuant to the terms and conditions of the Second SPA;
“Second Property”	a property situate at Flat A on 7th Floor of Springfield Court, 50-56 Flower Market Street, Kowloon, Hong Kong;
“Second Sale Loan”	a shareholder’s loan in the amount of HK\$3,929,631.20 which is due and owed by Watson China to the Company;
“Second Sale Shares”	800,000 issued and fully paid up or credited as fully paid up ordinary shares in the capital of Waston China, representing 88.89% of the issued share capital of Waston China;
“Second SPA”	the sale and purchase agreement dated 6 November 2019 entered into among Luck Bloom, Key Model and the Company in relation to the Second Disposal;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;

“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Watson China”	Watson China Limited, a company incorporated in Hong Kong with limited liability, a subsidiary of the Company prior to completion of the Second Disposal;
“%”	per cent.

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

Hong Kong, 6 November 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.