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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  
IN RELATION TO ACQUISITION OF 55% EQUITY INTEREST IN  
THE TARGET COMPANY INVOLVING  
ISSUE OF EXCHANGEABLE NOTE**

**THE ACQUISITION**

On 23 May 2018 (after trading hours), the Vendors, the Purchaser and the Company entered into the Sale and Purchase Agreement, subject to the terms and conditions of which the Vendors have agreed to sell, and the Purchaser has agreed to acquire the Sale Shares, representing 55% equity interest in the Target Company, at the Consideration of HK\$96,000,000, which shall be satisfied (i) as to HK\$3,000,000 in cash; and (ii) as to HK\$93,000,000 by the issue of the Exchangeable Note which can be exchanged into the Convertible Bonds.

**GEM LISTING RULES IMPLICATION**

As certain applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

## INTRODUCTION

On 23 May 2018 (after trading hours), the Vendors, the Purchaser and the Company entered into the Sale and Purchase Agreement, subject to the terms and conditions of which the Vendors have agreed to sell, and the Purchaser has agreed to acquire the Sale Shares, representing 55% equity interest in the Target Company, at the Consideration of HK\$96,000,000, which shall be satisfied (i) as to HK\$3,000,000 in cash; and (ii) as to HK\$93,000,000 by the issue of the Exchangeable Note which can be exchanged into the Convertible Bonds.

## THE SALE AND PURCHASE AGREEMENT

Date: 23 May 2018 (after trading hours)

Parties:

- (1) 北京華鼎滙金投資有限責任公司 (Beijing Huading Huijin Investment Company Limited\*), a company incorporated in the PRC with limited liability as Vendor I;
- (2) 汪名一 (Mr. Wang Mingyi), an individual shareholder of the Target Company as Vendor II;
- (3) 常偉 (Mr. Chang Wei), an individual shareholder of the Target Company as Vendor III;
- (4) 劉靖衡 (Mr. Liu Jingheng), an individual shareholder of the Target Company as Vendor IV;
- (5) 周鵬宇 (Mr. Zhou Pengyu), an individual shareholder of the Target Company as Vendor V;
- (6) Goal Set Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company as the Purchaser; and
- (7) the Company.

(each a “Party”, collectively the “Parties”)

As at the date of this announcement, to the best of the Director' knowledge, information and belief, having made all reasonable enquiries, the Vendors and the ultimate beneficial owner of Vendor I are third parties independent of the Company and its connected persons (as defined under the GEM Listing Rules).

### **Assets to be acquired**

Pursuant to the Sale and Purchase Agreement, subject to the terms and conditions thereof, the Vendors have agreed to sell, and the Purchaser has agreed to acquire the Sale Shares, which upon Completion shall be free from any encumbrances, and entitled to all rights of the Sale Shares, including but not limited to the dividends and distribution announced, made or paid after the Completion Date.

### **Consideration**

The Consideration for the Sale Shares shall be in the sum of HK\$96,000,000, among which HK\$3,000,000 shall be settled in cash by the Purchaser on the Completion Date.

The Purchaser shall issue the Exchangeable Note to the Vendors on the Completion Date, and deliver the Exchangeable Note Instrument to the Vendors to settle the remaining Consideration in its entirety of HK\$93,000,000. And the Purchaser shall undertake to the Vendors that, upon adequate and complete fulfilment and/or achievement of relevant conditions precedent set out in the Sale and Purchase Agreement and the Exchangeable Note Instrument, the Company shall issue the Convertible Bonds to the Vendors after receipt of HK\$1 consideration to be paid by the Vendors, and deliver the CB Certificate with the CB Instrument enclosed to the Vendors. And the Purchaser shall undertake to the Vendors that the Conversion Shares, upon issuance, shall rank *pari passu* in all respects with all Shares issued then.

The Vendors and each Target Group Company shall undertake to the Purchaser that the net profit after tax of the Target Group Companies for the financial year ending 31 March 2019 (the “**Net Profit**”) shall not be less than HK\$60,000,000 (the “**Profit Guarantee**”). In the event that the Profit Guarantee can be achieved, the Purchaser shall issue the Convertible Bonds of HK\$93,000,000 to the Vendors on the Completion Date, and the total number of Conversion Shares represents 19.99% of the issued Shares as at the date of issue of the Convertible Bonds. In the event that the Profit Guarantee cannot be achieved, the reduced principal amount of the Convertible Bonds (the “**Reduced Principal Amount**”) shall be calculated in accordance with the below formula. The maximum reduction shall be the whole principal amount of the Convertible Bonds, resulting in no issuance of Convertible Bonds by the Company.

$$(A-B)/A*HK\$93,000,000$$

where

A means HK\$60,000,000

B means HK\$60,000,000 minus the Net Profit

and the total number of Conversion Shares shall be determined according to the section headed “INFORMATION ON THE CONVERTIBLE BONDS”.

The Consideration was determined after arm’s length negotiation between the Parties, with reference to, among others, the valuation of the Target Group of not less than HK\$300,000,000 which would be provided as one of the conditions precedent to the Sale and Purchase Agreement. As the Sale Shares represent 55% of the entire equity interest in the Target Company, the attributable value of the Sale Shares shall amount to HK\$165,000,000. As such, the Consideration in the amount of HK\$96,000,000 represents a discount of approximately 41.82% to the valuation of the Sale Shares. In light of the above, the Company considers that the Consideration is fair and reasonable and is in the interest of the Shareholders and the Company as a whole.

## Conditions Precedent

Completion shall be subject to the following conditions precedent:

- (1) the Vendors and each Target Group Company having obtained all board's consents and approvals required for the sale and purchase of the Sale Shares;
- (2) the Purchaser and the Company having obtained all consents and approvals required for the sale and purchase of the Sale Shares, and having satisfied the GEM Listing Rules and all relevant statutory requirements;
- (3) (if required) the Purchaser having obtained approval from the relevant foreign exchange authority to open a capital account and foreign exchange account with the permission to use the fund in such foreign exchange account to settle the Consideration;
- (4) the Vendors, the Purchaser and the Company having agreed on the terms of the Exchangeable Note Instrument and the CB Instrument;
- (5) the warranties of the Vendors and each Target Group Company being true and accurate in all material respects and not misleading;
- (6) the Purchaser's warranties being true and accurate in all material respects and not misleading;
- (7) relevant industrial and commercial bureau in the PRC issuing new business license to the Target Company and the Target Group Company(ies) without altering transaction documents and/or without altering and/or attaching any clauses to transaction documents, so that the Purchaser can legally become the shareholder of the Sale Shares. Any amendment and/or alteration to the transaction documents shall be made with the written consent of the relevant industrial and commercial bureau in the PRC;

- (8) a legal opinion letter issued by the PRC lawyer designated by the Purchaser regarding the transaction contemplated under the Sale and Purchase Agreement in relation to PRC laws, the format and content of which shall be satisfactory and acceptable to the Purchaser at its absolute discretion. The legal opinion shall confirm, including but not limited to the following issues:
- (i) the formal incorporation, legality and valid continuance of the Target Group Company(ies) (including the legality of the shareholding structure and whether the registered capital is fully paid) and free from being liquidated;
  - (ii) all approvals, permissions, licenses and/or permits required for the business operation of the Target Group Company(ies) having been obtained, including but not limited to those issued by the State Administration of Foreign Exchange of the PRC, State Administration for Industry & Commerce of the PRC and the Ministry of Commerce of the PRC; and
  - (iii) the legality and validity of the executed major contracts and agreements of the Target Group Company(ies).
- (9) the result of the DD Review (as defined below) being in compliance with the provision and requirement as set out in the Sale and Purchase Agreement;
- (10) the Company not having received any indication from the Stock Exchange that the transaction contemplated under the Sale and Purchase Agreement will constitute a reverse takeover under the GEM Listing Rules which will be treated as if it were a new listing application; and the transaction contemplated under the Sale and Purchase Agreement not having been deemed by the SFC to trigger a mandatory offer obligation under Rule 26 of the Takeovers Code; and
- (11) the Shares not being delisted from the Stock Exchange, and the Company having not received any written notice on the cancellation of the listing of the Shares from the Stock Exchange or the SFC.

None of the above conditions precedent may be waived by any Party. The Parties shall use their best endeavours to procure the fulfilment of abovementioned conditions precedent before 31 July 2018.

The Purchaser, upon execution of the Sale and Purchase Agreement, shall procure its adviser and agent to conduct reasonable due diligence deemed to be appropriate by itself on the assets, liabilities, operation and matters of the Target Group (including but not limited to legal, financial and business areas) (the “**DD Review**”). The scope of the DD Review shall include the provision of information by the Vendors to the Purchaser and/or its authorised person proving to the Purchaser the valuation of the Target Group being not less than HK\$300,000,000 and the Target Group having no debt and shareholders’ loan.

## **Completion**

Subject to the fulfilment of the above conditions precedent, Completion shall take place on the Completion Date.

Upon Completion, subject to audit, the Target Company will become an indirect non-wholly owned subsidiary of the Company.

## **INFORMATION ON THE CONVERTIBLE BONDS**

Set out below are the principal terms of the Convertible Bonds:

Issuer:	The Company
Principal amount:	Up to HK\$93,000,000
Maturity Date:	31 December 2024
Interest rate:	The Convertible Bonds shall not bear any interest.
Conversion Price:	The Conversion Price is to be calculated when the Reduced Principal Amount and the number of Conversion Shares can be determined and shall be calculated as follows:

Reduced Principal Amount/number of Conversion Shares

Conversion Shares: The percentage of number of Conversion Shares to the issued Shares as at the date of issue of the Convertible Bonds shall be calculated as follows:

$$19.99\% * [1 - (\text{HK\$60 million} - X)/\text{HK\$60 million}]$$

where

X means the Net Profit

Conversion Period: The period commencing on the date of issue of the Convertible Bonds and ending on 16 December 2024 or other period set out in the instrument of the Convertible Bonds (“**Bond Instrument**”).

Conversion rights: Holders of the Convertible Bonds (the “**Bondholder(s)**”) may exercise the conversion rights at the Conversion Price during the conversion period of the Convertible Bonds in accordance with the requirements set out in the Bond Instrument.

Early redemption: Unless events of default set out in the Bond Instrument occur, the Company shall not redeem the Convertible Bonds or any principal thereof before the maturity date of the Convertible Bonds.

Transferability: The Convertible Bonds are transferable to any person in accordance with applicable provisions of the GEM Listing Rules. But the Convertible Bonds (or any part thereof) shall not be transferred to connected persons of the Company without the prior written approval of the Company.

Voting rights: Subject to compliance with the Bond Instrument, Bondholders may attend or delegate a proxy to attend any Bondholders’ meeting. Each principal amount of HK\$10,000 of the Convertible Bonds shall entitle the Bondholder or the proxy one vote.

Application for listing: No application will be made to the Stock Exchange for listing of the Convertible Bonds. Application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Ranking: The obligations under the Convertible Bonds constitute general, unsecured and unsubordinated obligations of the Company and shall rank *pari passu* among themselves, which save for preferential obligations provided by applicable legislation, rank equally with all other present and future unsecured and unsubordinated obligations of the Company.

The Conversion Shares shall rank *pari passu* in all respects with all other existing Shares and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of conversion.

## **INFORMATION ON THE VENDORS**

Vendor I is a company incorporated in the PRC with limited liability which is principally engaged in investment management, investment consultation services, corporate management and asset management, etc. As at that date of the Sale and Purchase Agreement, Vendor I is interested in 45% of the equity interest in the Target Company.

Vendor II, Vendor III and Vendor IV are individual shareholders of the Target Company, each of whom is interested in 4.5% of the equity interest in the Target Company.

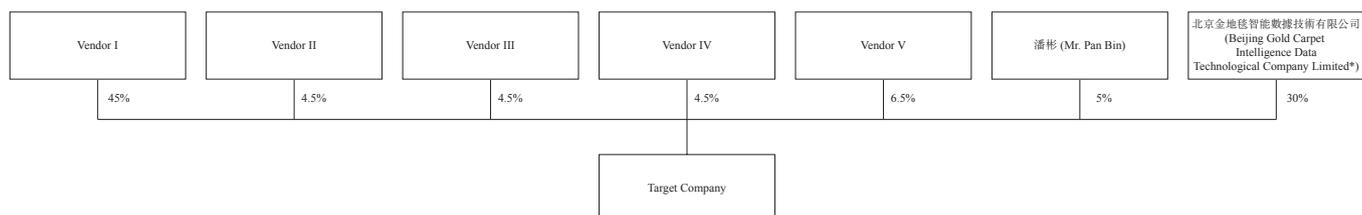
Vendor V is an individual shareholder of the Target Company who is interested in 6.5% of the equity interest in the Target Company.

## INFORMATION ON THE TARGET COMPANY

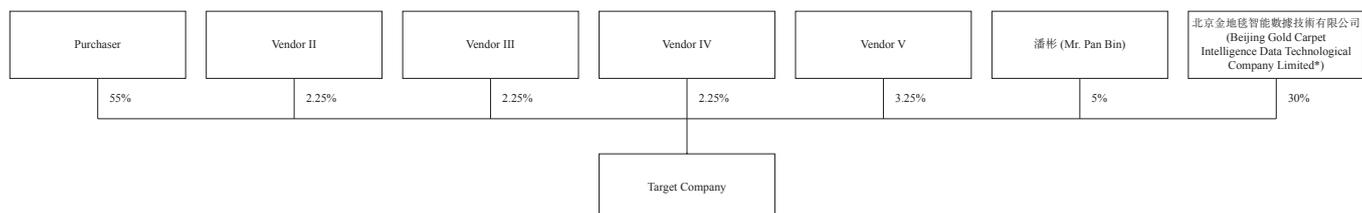
The Target Company is a company incorporated in the PRC with limited liability, which is principally engaged in design, development, transfer, innovation, management and relevant business of the technology of artificial intelligence and provision of comprehensive consulting service relating to artificial intelligence. The Target Company helps corporate clients to make business decisions in an efficient and effective manner through the use of its proprietary innovative analytics with “deep learning” skills, business intelligence and data management software services.

## SHAREHOLDING STRUCTURE OF THE TARGET GROUP

### Immediately prior to Completion



### Immediately upon Completion



## FINANCIAL INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated and continued under the laws of the PRC on 5 December 2017 with limited liability.

The financial information extracted from the latest management account of the Target Company for the month ended 31 January 2018 is as follows:

	<b>For the month ended 31 January 2018</b>
	Unaudited <i>HK\$</i>
Revenue	1,932,300
Profit before taxation	834,100
Profit after taxation	625,600
	<b>As at 31 January 2018</b>
	Unaudited <i>HK\$</i>
Total assets	980,400
Net assets	625,600

## REASONS FOR AND BENEFITS OF THE ACQUISITION

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

The Company, from time to time, explores business opportunities in different sectors in order to broaden the revenue stream of the Group. Leveraging the Target Company's extensive experience in the technology of artificial intelligence, the Acquisition could provide an opportunity for the Group to diversify its business into the management business and consulting business relating to artificial intelligence. Upon Completion, the Board expects that the revenue stream of the Group will be expanded and its profitability will be strengthened.

In addition, the Board considers that the settlement of the Consideration by way of the issue of Exchangeable Note which can be exchanged into the Convertible Bonds will not create outlay of the Group's cash, which could be used for the development of the artificial intelligence business of the Target Company. The Directors consider that the Sale and Purchase Agreement is on normal commercial terms and the Acquisition is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

## EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon full conversion of the Convertible Bonds (assuming the Profit Guarantee can be achieved and using the issued Shares as at the date of this announcement for illustration purpose only):

	(i) As at the date of this announcement		(ii) Upon full conversion of the Convertible Bonds	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
Ms. Chan Shui Sheung Ivy ( <i>Note</i> )	9,000	0.0044	9,000	0.0036
Vendors	–	–	41,333,333	16.6592
Other public Shareholders	206,768,513	99.9956	206,768,513	83.3372
<b>Total</b>	<b>206,777,513</b>	<b>100.0000</b>	<b>248,110,846</b>	<b>100.0000</b>

*Note:* As at the date of this announcement, Ms. Chan Shui Sheung Ivy, an executive Director, is beneficially interested in 9,000 Shares.

## GEM LISTING RULES IMPLICATION

As certain applicable percentage ratio(s) (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendors subject to the terms and conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day”	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks generally are open for general banking business in Hong Kong
“CB Certificate”	bond certificate to be issued in respect to the Convertible Bonds, the format and contents of which to be agreed separately by the Vendors and the Purchaser to the reasonable satisfaction of the Purchaser
“CB Instrument”	an instrument constituting the Convertible Bonds, as may be revised and/or supplemented from time to time, the format and contents of which to be agreed separately by the Vendors and the Purchaser to the reasonable satisfaction of the Purchaser
“Company”	Chinese Strategic Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM
“Completion”	completion of the sale and purchase of Sale Shares in accordance with the terms and conditions of the Sale and Purchase Agreement

“Completion Date”	the tenth Business Day after fulfilment (or waiver, if applicable) of all the conditions precedent (provided that such conditions precedent shall continue to be valid and fulfilled upon Completion)
“Consideration”	HK\$96,000,000
“Conversion Price”	has the meaning ascribed to it on page 7 in this announcement
“Conversion Shares”	Shares to be allotted and issued by the Company upon the exercise of the conversion rights attached to the Convertible Bonds, the total number of which shall be up to 19.99% of the total number of issued Shares as at the date of issue of the Convertible Bonds
“Convertible Bonds”	subject to the Sale and Purchase Agreement and upon adequate and complete fulfilment and/or achievement of relevant conditions precedent set out in the Exchangeable Note Instrument, the zero coupon convertible bonds with principal amount of up to HK\$93,000,000 to be issued by the Company to the Vendors in accordance with the Exchangeable Note Instrument
“Director(s)”	the director(s) of the Company
“Exchangeable Note”	the zero coupon exchangeable note with principal amount of up to HK\$93,000,000 to be issued by the Purchaser to the Vendors in accordance with the Sale and Purchase Agreement and to be issued in accordance with the Exchangeable Note Instrument, holder(s) of which can, upon adequate and complete fulfilment and/or achievement of relevant conditions precedent set out in the Exchangeable Note Instrument, exchange it into the Convertible Bonds with HK\$1 consideration with the maturity date being 31 December 2019
“Exchangeable Note Instrument”	an instrument constituting the Exchangeable Note, as may be revised and/or supplemented from time to time, the format and contents of which to be agreed separately by the Vendors and the Purchaser to the reasonable satisfaction of the Purchaser

“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
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Listing Committee”	the listing committee appointed by the Stock Exchange for considering applications for listing and the granting of listing of securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this announcement only, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Purchaser”	Goal Set Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 23 May 2018 entered into among the Vendors, the Purchaser and the Company in relation to the Acquisition
“Sale Shares”	55% of the equity interest (including 45% from Vendor I, 2.25% each from Vendor II, Vendor III and Vendor IV, and 3.25% from Vendor V) in the Target Company to be sold by the Vendors to the Purchaser pursuant to the terms of the Sale and Purchase Agreement
“SFC”	Securities and Futures Commission of Hong Kong
“Shares”	the ordinary shares with par value of HK\$0.01 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases issued by the SFC
“Target Group”	the Target Company and its subsidiary (if any)
“Target Group Company(ies)”	any company(ies) within the Target Group
“Target Company”	北京金准韋特智能科技有限公司 (Beijing Jinzhun Weite Intelligence Technological Company Limited*), a company incorporated in the PRC with limited liability
“Vendors”	Collectively, Vendor I, Vendor II, Vendor III, Vendor IV and Vendor V
“Vendor I”	北京華鼎滙金投資有限責任公司 (Beijing Huading Huijin Investment Company Limited*), a company incorporated in the PRC with limited liability, being the beneficial owner of 45% of the Target Company as at the date of the Sale and Purchase Agreement
“Vendor II”	汪名一 (Mr. Wang Mingyi), an individual shareholder of the Target Company, being the beneficial owner of 4.5% of the Target Company as at the date of the Sale and Purchase Agreement
“Vendor III”	常偉 (Mr. Chang Wei), an individual shareholder of the Target Company, being the beneficial owner of 4.5% of the Target Company as at the date of the Sale and Purchase Agreement
“Vendor IV”	劉靖衡 (Mr. Liu Jingheng), an individual shareholder of the Target Company, being the beneficial owner of 4.5% of the Target Company as at the date of the Sale and Purchase Agreement

“Vendor V”	周鵬宇 (Mr. Zhou Pengyu), an individual shareholder of the Target Company, being the beneficial owner of 6.5% of the Target Company as at the date of the Sale and Purchase Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board  
**Chinese Strategic Holdings Limited**  
**Lam Kwok Hing Wilfred**  
*Chairman and Executive Director*

Hong Kong, 23 May 2018

*As at the date hereof, the Company’s executive Directors are Mr. Lam Kwok Hing Wilfred, J.P., (Chairman), Ms. Chan Shui Sheung Ivy and Mr. Mok Tsan San; and the independent non-executive Directors are Ms. Yuen Wai Man, Mr. 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 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 Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days and the Company website at [www.chinesestrategic.com](http://www.chinesestrategic.com) from the date of its publication.*

\* for identification purpose only