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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 PROPERTY FOR DEBT SETTLEMENT**

On 30 August 2019 (after trading hours), the Company and EverCare Finance Company Limited (“**EverCare**”) (collectively, the “**Parties**”) entered into the deed of settlement (the “**Deed of Settlement**”), pursuant to which the Parties agreed that the Company may assign all the right, title, benefit, interest and ownership of the Property to EverCare at a consideration of HK\$3,557,486.40 plus the payment of cash to settle the interest on the outstanding principal of HK\$3,557,486.40 accrued from 1 March 2019 to 30 August 2019 of a sum of HK\$267,541.00 and reimburse the legal costs of HK\$128,513.00 incurred by EverCare. Subject to the terms of the Deed of Settlement, EverCare shall then file a notice of discontinuance of the Action to discontinue the litigation.

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

Reference is made to the announcement of Chinese Strategic Holdings Limited (the “**Company**”) dated 24 June 2019 in relation to the Claim (the “**Announcement**”). Unless defined otherwise, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

On 30 August 2019 (after trading hours), the Company and EverCare Finance Company Limited (“**EverCare**”) (collectively, the “**Parties**”) entered into the deed of settlement (the “**Deed of Settlement**”), pursuant to which the Parties agreed that the Company may assign all the right, title, benefit, interest and ownership of the Property to EverCare at a consideration of HK\$3,557,486.40 plus the payment of cash to settle the interest on the outstanding principal of HK\$3,557,486.40 accrued from 1 March 2019 to 30 August 2019 of a sum of HK\$267,541.00 and reimburse the legal costs of HK\$128,513.00 incurred by EverCare. Subject to the terms of the Deed of Settlement, EverCare shall then file a notice of discontinuance of the Action to discontinue the litigation.

## **THE DEED OF SETTLEMENT**

The principal terms of the Deed of Settlement are summarised below:

### **Date**

30 August 2019 (after trading hours)

### **Parties**

Debtor: the Company

Creditor: EverCare Finance Company Limited

### **Major terms of the settlement**

1. Upon execution of the Deed of Settlement, the Debtor shall:
  - (a) pay interest on the outstanding principal of HK\$3,557,486.40 accrued from 1 March 2019 to 30 August 2019 of a sum of HK\$267,541.00 and the legal costs of HK\$128,513.00 incurred by EverCare to reimburse the Creditor in relation to the Action and the Deed of Settlement by cash;
  - (b) procure the Mortgagor to execute all documents (including an assignment where applicable) necessary to legally and lawfully (in accordance with the laws of the place in which the Property is situated) assign all the right, title, benefit, interest and ownership to and of the Property to the Creditor or LBI as the Creditor may decide (“**Transfer**”) at the consideration of HK\$3,557,486.40 which shall be paid by the Debtor to the Mortgagor or otherwise settled between the Debtor and the Mortgagor without any claim or recourse against the Creditor or LBI howsoever;

- (c) deliver originals of all title deeds, title certificate, the Ground Lease and documents (including an assignment where applicable) relating to the Property (if not already in the Creditor's possession) to the Creditor as well as, where applicable, file all necessary documents (including complying with all other regulation and procedure related to the Transfer) to effect the Transfer and for the change of ownership with the relevant government agent/department in the place in which the Property is situated;
- (d) pay or procure the Mortgagor to pay all tax payable in respect of the Transfer and provide documentary evidence of such payment to the Creditor; and
- (e) deliver a legal opinion issued by Thompson Law Office, LLC. and addressed to the Creditor confirming that under the laws of the place in which the Property is situated:
  - (i) the Transfer is legally valid and effective;
  - (ii) the Transfer has been duly completed and the Creditor has been duly registered as the owner of the Property;
  - (iii) the Transfer will not affect the Creditor's right to recover the remaining part of the debt upon the occurrence of an event of default of the Deed of Settlement;
  - (iv) all tax payable by the Mortgagor and/or the Creditor relating to the Transfer has been fully paid;
  - (v) LBI is the legal and beneficial owner of the Property under the Ground Lease and has all rights as the owner of the Property including the right to own, develop or otherwise sell or dispose of the Property for its sole benefit; and
  - (vi) the First Amendment to the Ground Lease dated 18 May 2015 and the Second Amendment to Ground Lease dated 1 June 2015 have been duly recorded at the Commonwealth Recorder's Office of Saipan;

such legal opinion to be in form and substance acceptable to the Creditor.

- 2. Subject to the due performance of the obligations of the Debtor in accordance with paragraph 1 above,
  - (a) the Creditor shall within 7 days from the date of the Deed of Settlement file a notice of discontinuance of the Action to discontinue the Action; and

- (b) the Creditor shall not take any legal action against the Debtor and/or any other person for the debt or any part thereof until the occurrence of an event of default as specified in the Deed of Settlement.
3. Immediately after due performance of the obligations of the Debtor under paragraph 1 above, the principal amount of the debt shall be reduced by HK\$3,557,486.40.
  4. An event of default (“**Default**”) shall be deemed to have been committed by the Debtor upon the Debtor or any party who is in breach of his/its obligations in relation to the Deed of Settlement.
  5. Upon the occurrence of Default, the entire balance of the debt then outstanding shall immediately become due and payable by the Debtor and the Creditor shall be entitled to forthwith bring legal proceedings or take any other actions against the Debtor and/or any other person for recovery of the debt.

### **Information on the Property**

The Property is a land parcel situated on Lot 044 T 02, Island of Tinian, CNMI. The Property comprises a parcel of private land and the total site area of the Property is approximately 53,722 square meters. The land use rights of the Property were leasehold and granted with a term of 55 years commencing on 19 May 2014. As at the date of this announcement, the Property is vacant.

### **Consideration**

The Transfer of the Property was agreed by the Parties at the consideration of HK\$3,557,486.40. The consideration was determined after arm’s length negotiation between the Creditor and the Debtor on normal commercial terms with reference to, among other things, (i) the outstanding amount due from the Company to the Creditor; (ii) the financial position of the Company; and (iii) a preliminary valuation on the Property as at 31 July 2019 of US\$1,850,000 conducted by an independent professional property valuer appointed by the Group.

## **INFORMATION OF THE PARTIES**

### **Information on the Company**

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

### **Information on the Creditor**

The Creditor is a company incorporated in Hong Kong and is principally engaged in financing business.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, EverCare Finance Company Limited and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

## **FINANCIAL EFFECT OF THE DISPOSAL**

Upon the completion of the Disposal, a debt of HK\$3,557,486.40 shall be discharged by the Creditor. The Disposal is expected to record a loss before tax of approximately HK\$15,625,883, calculated on the basis of the difference between the Consideration of HK\$3,557,486.40 and the audited carrying value of the Property as at 31 December 2018 of HK\$19,113,640, the depreciation for the period from 01 January 2019 to 30 August 2019 of HK\$258,784 and the expenses in connection with the Disposal (including legal fee and professional fee of HK\$328,513), recorded in the Group's accounts as at the date of this announcement. Such amount is an estimate calculated and provided for illustrative purposes only. The actual gain or loss in connection with the Disposal will be assessed after completion of the Transfer and is subject to audit, and will be subject to the value of the Property and further adjustments including tax which may occur in relation to the transfer of the Property from the Mortgagor to the Creditor.

## **REASONS AND BENEFITS FOR THE DISPOSAL**

The Directors have taken into account the following principal factors before entering into the Deed of Settlement:

- (i) As at 30 June 2019, the bank balances and cash of the Group amounted to HK\$7,914,000. The debt of HK\$3,557,486.40 to be settled accounts 44.95% of the bank balances and cash of the Group. The disposal of the Property would provide an opportunity to discharge the legal action without significantly reducing the cash balance of the Group.

- (ii) Before entering into the Deed of Settlement, the Company has been seeking any potential buyer to purchase the Property. However, in light of the location, development potential, development funding needs and the liquidity of the Property, the Company is unable to find a suitable buyer. Therefore, the Company agreed with the Creditor to fix the consideration of the Property at HK\$3,557,486.40, which represents a discount of approximately 75.35% to the valuation of the Property of US\$1,850,000 as at 31 July 2019.

*(Note: for the illustration purpose in this announcement, conversion of US dollars into Hong Kong dollars is based on the approximate exchange rate of US\$1.00 to HK\$7.80)*

- (iii) the Board considers that the settlement of such litigation would allow the Company to concentrate efforts and resources in the business of the Group in the future.
- (iv) the Board considers that there will be no material adverse impact on its financial position and on the business and operation of the Group.

After taking into account the factors set out above, the Directors conclude that the disposal of the Property pursuant to the Deed of Settlement in exchange for avoiding further legal action by the Creditor is the best available option to the Group.

Accordingly, the Directors are of the view that (i) the terms of the Disposal are fair and reasonable; (ii) the terms of the Disposal are on normal commercial terms; and (iii) the Disposal is in the interests of the Company and the Shareholders as a whole.

## **GEM LISTING RULES IMPLICATIONS**

### **Discloseable Transaction**

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

## DEFINITIONS

In this announcement, the following terms have the meanings set forth below unless the context requires otherwise:

“Action”	on 21 June 2019, the Creditor commenced HCA 1114 of 2019 against the Debtor
“Board”	the board of Directors
“Company”	Chinese Strategic Holdings Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on GEM
“CNMI”	Commonwealth of the Northern Mariana Islands
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Property
“GEM”	the GEM of The Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Ground Lease”	the ground lease dated 19 May 2014 between Judith D. Cruz as lessor and the Mortgagor as lessee for the Property that is for a term of 55 years commencing on 19 May 2014 to 18 May 2069 as amended by the First Amendment to Ground Lease dated 18 May 2015 and the Second Amendment to Ground Lease dated 1 June 2015
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“LBI”	Legacy Billion International Limited, a company incorporated in the British Virgin Islands whose entire issued shareholding is legally and beneficially owned by the same party who legally and beneficially owns the entire issued shareholding of the Creditor
“Mortgagor”	Tinian Realty International Co., a wholly-owned subsidiary of the Company, incorporated in the Commonwealth of the Northern Mariana Islands with limited liability, which is the lessee under the Ground Lease and the legal and beneficial owner of the Property subject to the Property Mortgage
“Property”	the real property of Lot 044 T 02, containing an area of 53,722 square meters, more or less, as more particularly described on Drawing/Cadastral Plat No. 044 T 00, the original of which was recorded August 22, 1984 under File No. 84-1697 at the Commonwealth Recorder’s Office, Saipan under the Ground Lease dated May 19, 2014 by and between Judith D. Cruz, as lessor, and Tinian Realty International Co. as lessee and Mortgagor herein, and recorded on the 2nd day of June 2014, as File No 14-0935 with the Commonwealth Recorder’s Office, Saipan, together with all the improvements, appurtenances and easements used in connection therewith, and the rents, issues and profits thereof and includes any part thereof
“Property Mortgage”	the mortgage dated 1 March 2017 created by the Mortgagor in respect of the Property in favour of the Creditor for securing the obligations therein contained which include the debt owed by the Debtor to the Creditor
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

**Shareholders and potential investors of the Company should note that the full and final settlement of the Action is subject to the fulfillment of the Deed of Settlement and without the occurrence of any event of default as specified in the Deed of Settlement, there is no assurance that the settlement will be completed. Accordingly, Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.**

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

Hong Kong, 30 August 2019

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

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and 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.*