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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)**

**(I) VERY SUBSTANTIAL ACQUISITION  
IN RELATION TO  
PROPOSED INVESTMENT IN LAND;  
(II) UPDATE ON PROGRESS AND STATUS OF THE INVESTMENT  
AND  
(III) RESUMPTION OF TRADING**

References are made to (i) the announcement of the Company dated 10 January 2014 in respect of the suspension of trading in Shares on the Stock Exchange with effect from 9:00 a.m. on 10 January 2014 pending the release of an announcement relating to a proposed very substantial acquisition; and (ii) the announcement of the Company dated 11 February 2014 in relation to the update of the progress and status of the Investment.

**THE INVESTMENT**

On 9 January 2014, the Lessee, a wholly-owned subsidiary of the Company, entered into the Leasing Agreement with the Lessor, MSOL and TDIL, pursuant to which the Lessor has conditionally agreed to, as Head Lessee, grant the Land Lease to the Lessee, and the Lessee has agreed to take up the Land Lease from the Lessor, at the Land Lease Consideration of HK\$1,000,000,000.

Further, under and pursuant to the terms and conditions of the Leasing Agreement, the Lessee has conditionally agreed to sub-lease the Hotel and the Casino back to the Lessor during the Hotel & Casino Lease Term, and the Lessor has conditionally agreed to take up the Hotel & Casino Lease of the Hotel and the Casino from the Lessee, at the Hotel & Casino Lease Consideration, in the sum of HK\$1 per annum.

On the same day, the Lessee entered into the Revenue Apportionment Agreement with the Lessor, MSOL (as the First Guarantor) and TDIL (as the Second Guarantor), pursuant to which the Lessor has agreed to apportion and assign and the Guarantors have jointly and severally agreed to procure the Lessor to apportion and assign, to the Lessee the title interest and benefits in the Revenue from the Commencement Date, and the Lessee has agreed to, relying on the Lessor's warranties, accept the apportionment and assignment of the Revenue Stream in accordance with the Revenue Apportionment Agreement.

Further details of the Leasing Agreement and the Revenue Apportionment Agreement are set out in the sections headed "The Leasing Agreement" and "The Revenue Apportionment Agreement" respectively.

## **LISTING RULES IMPLICATIONS**

### **Very Substantial Acquisition**

As the applicable percentage ratios defined under the GEM Listing Rules of the Transaction exceed 100%, the Transaction constitutes very substantial acquisitions under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, publication and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) the Lessor, MSOL and TDIL, and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons; and (ii) each of the Lessor, MSOL and TDIL, and its ultimate beneficial owners and their respective associates did not hold any Shares, or options or securities convertible or exchangeable into Shares as at the date of this announcement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Transaction which is different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the SGM to ratify, confirm and approve the Leasing Agreement, the Revenue Apportionment Agreement and the transactions contemplated thereunder. If the Lessor, MSOL and TDIL, and their respective associates hold any Shares on the date of the SGM, they will be required to abstain from voting on the relevant resolutions to be proposed at the SGM in relation to the Leasing Agreement, the Revenue Apportionment Agreement and the transactions contemplated thereunder.

### **Advance to an Entity**

Under Rule 17.15 of the GEM Listing Rules, a general disclosure obligation arises where the relevant advance to an entity by the Company and its subsidiaries exceeds 8% of the Company's latest published consolidated total assets. The Deposit and the Further Deposit constitute an advance to an entity under Rule 17.15 of the GEM Listing Rules and the details of which are disclosed herein in compliance with Rule 17.15 of the GEM Listing Rules.

## **UPDATE ON PROGRESS AND STATUS OF THE INVESTMENT**

**Trading in the Shares was suspended at the request of the Company with effect from 9:00 a.m. on 10 January 2014. On 7 February 2014, the Company received a letter from the Stock Exchange regarding its ruling on the proposed Investment. According to the Ruling, the proposed Investment was deemed as a reverse takeover under Rule 19.06 of the GEM Listing Rules as the Stock Exchange considers, among other things, the Investment an extreme case despite that the Investment falls outside the bright line tests, which apply to two specific forms of reverse takeover pursuant to Rules 19.06(6)(a) and (b) of the GEM Listing Rules.**

**The Company disagrees with the Ruling and has made an application to the Listing Committee on 14 February 2014 to have the Ruling reviewed by the Listing Committee pursuant to Rule 4.06 of the GEM Listing Rules. The review hearing has been tentatively scheduled on 25 March 2014. Should there be any material developments, the Company will update the Shareholders as and when appropriate by publishing further announcements.**

**In order to facilitate the funding requirement of the Investment and general working capital of the Group, the Company has been in negotiation for disposal of its investment assets and other fund raising exercise. As at the date of this announcement, no formal agreement in relation to the proposed disposal of investment assets and fund raising exercise has been reached. Save as disclosed above, the Company confirms that it is not aware of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).**

**As the Land Lease Commencement, the Hotel & Casino Lease Commencement and the apportionment of Revenue are subject to the conditions precedent set out in the Leasing Agreement and the Revenue Apportionment Agreement, the Investment may or may not proceed. Subject to the outcome of the review by the Listing Committee, the Investment may or may not be deemed as a reverse takeover. Should the outcome of the review remain as said under the Ruling, the Company will negotiate with the relevant parties so as to proceed with the Investment by way of further appeal to and review by the Listing (Review) Committee or to proceed with different structures. Shareholders and investors should exercise caution when dealing in securities of the Company.**

### **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares has been suspended with effect from 9:00 a.m. on 10 January 2014, pending the publication of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:00 a.m. on 28 February 2014.

## **INTRODUCTION**

On 30 August 2013, the Lessee and MSOL had, together with other parties, executed a memorandum of understanding which was revised and supplemented by the supplemental memorandum of understanding and the second supplemental memorandum of understanding, dated 1 November 2013 and 30 December 2013 respectively (collectively, the “**MOU**”) under and pursuant to which the Lessee was granted the right to invest in MSOL in such mode and manner to be determined by parties to the MOU, and in consideration of the Lessee’s being granted the right of investment, the Lessee had duly paid a refundable Deposit of HK\$16,000,000 to MSOL.

The Board is pleased to announce that on 9 January 2014, the Lessee, a wholly-owned subsidiary of the Company, entered into the Leasing Agreement with the Lessor, MSOL and TDIL, pursuant to which the Lessor has conditionally agreed to, as Head Lessee, grant the Land Lease to the Lessee, and the Lessee has agreed to take up the Land Lease from the Lessor, at the Land Lease Consideration of HK\$1,000,000,000.

Further, under and pursuant to the terms and conditions of the Leasing Agreement, the Lessee has conditionally agreed to sub-lease the Hotel and the Casino back to the Lessor during the Hotel & Casino Lease Term, and the Lessor has conditionally agreed to take up the Hotel & Casino Lease of the Hotel and the Casino from the Lessee, at the Hotel & Casino Lease Consideration, in the sum of HK\$1 per annum.

Details of the terms and conditions of the Transaction are set out below.

## **THE LEASING AGREEMENT**

**Date** : 9 January 2014 (after trading hours)

### **Parties:**

**Lessor** : Hong Kong Entertainment (Overseas) Investments Limited, a company of limited liability incorporated in the CNMI and wholly-owned by TDIL

**Lessee** : Gain Millennia Limited, a company of limited liability incorporated in the British Virgin Islands and wholly-owned by the Company

**MSOL** : Mega Stars Overseas Limited, a company of limited liability incorporated in the British Virgin Islands

**TDIL** : Tinian Dynasty Investments Limited, a company of limited liability incorporated in the British Virgin Islands

MSOL and TDIL have jointly, severally, unconditionally and irrevocably guaranteed to the Lessee the Lessor's performance of the Leasing Agreement, the Land Lease and the Hotel & Casino Lease as primary obligor and not as mere surety.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Lessor, MSOL and TDIL together with their ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

### **The Land Lease and Hotel & Casino Lease**

Pursuant to the Leasing Agreement, the Lessor shall, as Head Lessee, grant the Land Lease to the Lessee (which shall be free from any encumbrance whatsoever) at the Land Lease Consideration of HK\$1,000,000,000. Upon Land Lease Commencement, the Lessor shall relinquish all its rights, interest and title in the Land (including those rights, interest and title in the Hotel and the Casino) and those in the head leases concerned, and the Lessee shall be, and shall become, the sole and exclusive occupier of the Land and of the Hotel and the Casino and all rights and interest attached thereto.

In addition to the Lessor's warranties, the Lessor undertakes that the Lessee shall have exclusive use and private enjoyment of the Land and the Hotel and the Casino during the Land Lease Term or any extension thereto. Further, the Lessor shall procure the Head Lessors not to interfere with the Lessee's exclusive use and private enjoyment of the Land and the Hotel and the Casino during the Land Lease Term.

Subject to the terms and conditions of the Leasing Agreement, the Lessee shall sub-lease the Hotel & Casino Lease back to the Lessor during the Hotel & Casino Lease Term at the Hotel & Casino Lease Consideration, in the sum of HK\$1 per annum. The Hotel & Casino Lease may be extended by option exercisable by the Lessee, each for a period of 5 years until March 2034 by giving not less than 6 months' notice in writing to the Lessor, and the terms and conditions of any extended Hotel & Casino Lease shall be identical to the Hotel & Casino Lease.

Subject to other provisions in the Leasing Agreement, the Lessor shall be, and shall be entitled to, operate the Hotel and the Casino during the Hotel & Casino Lease Term or any extension thereto free from any restriction, obstruction or condition.

Notwithstanding the granting of the Hotel & Casino Lease, the Lessee shall be entitled and authorised to plan, develop, construct, operate and/or manage other buildings and/or structures on the Land which shall include the Facilities, and the Lessor shall not have any recourse against the Lessee whatsoever, whether or not such Facilities compete with the Hotel and the Casino. Any enjoyment of the Facilities by the Lessor shall involve the Lessor making rental or other relevant payments to the Lessee on such quantum and/or terms to be agreed between the Lessor and the Lessee.

### **Consideration**

The Land Lease Consideration, in the aggregate sum of HK\$1,000,000,000 shall be settled by the Lessee in accordance with the following mode and manner:

- (a) the Deposit of HK\$16,000,000 paid shall be applied towards part settlement of the Land Lease Consideration;
- (b) HK\$84,000,000 and HK\$200,000,000 of the Land Lease Consideration shall be settled by the Lessee by cheque or cashier order payable to the Lessor or its nominee within 10 and 60 Hong Kong Business Days respectively after the execution of the Leasing Agreement and the Securities documents (the “**Further Deposit**”); and
- (c) the balance of the Land Lease Consideration, in the sum of HK\$700,000,000, shall be settled by the Lessee and/or its subsidiary or its fellow subsidiary issuing a Promissory Note in the principal amount of HK\$700,000,000 at Land Lease Commencement.

Without prejudice to any other provision in the Leasing Agreement, the Deposit and the Further Deposit shall be refunded to the Lessee or the Lessee’s nominee within 10 Hong Kong Business Days of the Lessee’s issuance of a demand in writing, which shall be issued by the Lessee if (i) any conditions precedent fail to be satisfied or fulfilled by the relevant date, (ii) the Land Lease and/or the Hotel & Casino Lease fail to become unconditional, (iii) the Land Lease Commencement and/or the Hotel & Casino Lease Commencement does not take place, or (iv) the Lessee does not deem fit to continue with any part of the Transaction.

The Company will settle the Consideration either by its internal resources or other fund raising exercise such as debt financing and/or equity financing. As at the date of this announcement, the Group has been in negotiation for disposal of its investment assets and other fund raising exercise. As at the date of this announcement, no formal agreement in relation to the proposed disposal of investment assets and fund raising exercise has been reached. The Company will make further announcement(s) in respect of the possible fund raising exercise as and when appropriate.

The Hotel & Casino Lease Consideration, in the sum of HK\$1 per annum, shall be settled by the Lessor in accordance with the following time, mode and manner:

- (a) the first payment of the Hotel & Casino Lease Consideration shall be made in cash or by cheque on the Hotel & Casino Lease Commencement Date; and

- (b) the payment of each other Hotel & Casino Lease Consideration during the remainder of the Hotel & Casino Lease Term (save and except the last payment of the Hotel & Casino Lease Consideration) shall be made on 31 December (or the last Hong Kong Business Day) of each year.

All payments and settlement of the Hotel & Casino Lease Consideration shall be free from any deduction whatsoever.

Payment of the Land Lease Consideration by cheque and/or cashier orders shall be funded by the internal resources of the Group.

The Consideration was arrived at after arm's length negotiations between the parties to the Leasing Agreement after taking into account, among other things, (i) the opportunity to further develop the Group's principal business activities in properties investments; and (ii) the value of the Land to be appraised by a valuer expected to be valued at not less than HK\$1,300,000,000 in aggregate (please also refer to paragraph (j) of the section headed "Conditions precedent" below).

Further details of the Promissory Note are set out in the sections headed "Promissory Note" below.

### **Conditions precedent**

The Land Lease Commencement shall be subject to the following conditions:

- (a) the Shareholders having approved the Transaction and all other transactions contemplated in the Leasing Agreement at a special general meeting of the Company;
- (b) the Lessor, MSOL and TDIL having executed the Revenue Apportionment Agreement as well as the security instruments relevant to or prescribed in the Revenue Apportionment Agreement;
- (c) all necessary consents, approvals and authorisations (if any) in relation to the Transaction, the Leasing Agreement, and the implementation of the same having been granted by the relevant regulatory authorities to the Lessee (collectively, the "**Lessee Necessary Approvals**"), and the Lessee Necessary Approvals shall be, and shall remain to be, valid and effective and not threatened with any withdrawal, revocation or cancellation;
- (d) all necessary consents, approvals and authorisations (if any) in relation to the Transaction, the Leasing Agreement, and the implementation of the same having been granted to the Lessor by Tinian Casino Gaming Control Commission and other relevant regulatory authorities (collectively, the "**Lessor Necessary Approvals**"), and the Lessor Necessary Approvals shall be valid and effective and not threatened with any withdrawal, revocation or cancellation;
- (e) the Lessor being, the holder of the Casino Licence, and the Casino Licence have not been threatened to be, varied, revoked, suspended, cancelled, withdrawn or otherwise adversely affected in any manner;
- (f) the Lessor being and remaining as the only party to the Leasing Agreement having exclusive right to occupy and use the Land and to operate and manage the Hotel and the Casino free and clear of all encumbrances;



- (g) the Shareholding Structure being kept intact;
- (h) the Lessee having completed the due diligence investigations on the legal, financial, operational, business and other aspects and affairs of the Lessor, MSOL, TDIL, the Land, the Hotel and the Casino and those of other relevant parties (the “**DD Review**”), and the results and outcome of the DD Review are reasonably satisfactory to the Lessee and the Company;
- (i) an attorney of CNMI having issued a legal opinion to the satisfaction of the Lessee on (i) the legality, properness and legitimacy of the Transaction, and (ii) such other issues as the Lessor and the Company deem fit or appropriate;
- (j) a valuation report having been prepared by a valuer or surveyor approved by the Lessee confirming that the valuation of the Land as at date of the Leasing Agreement shall not be less than HK\$1,300,000,000 in aggregate;
- (k) the Lessor’s warranties remaining true, accurate, valid, binding and effective in all respects; and
- (l) the Lessor, MSOL and TDIL having jointly and severally performed or complied, in all material respects, with their respective undertakings, covenants and agreements contained in the Leasing Agreement.

None of the above conditions for Land Lease Commencement can be waived by any party to the Leasing Agreement.

Hotel & Casino Lease Commencement shall be subject to the Land Lease Commencement.

None of the conditions for Hotel & Casino Lease Commencement can be waived by any party to the Leasing Agreement.

If any condition set out above shall not have been fulfilled by 5:00 p.m. on 30 June 2014, the Leasing Agreement shall, unless the parties to the Leasing Agreement agree in writing to postpone the Long Stop Date to another date (being a Hong Kong Business Day), automatically terminate and cease to be of any effect except for certain terms and conditions which shall remain in force, and none of the parties to the Leasing Agreement shall have any claim of any nature or liabilities under the Leasing Agreement whatsoever against the other party to the Leasing Agreement save for refund of Deposit and Further Deposit pursuant to terms and conditions of the Leasing Agreement and/or any antecedent breaches of the terms of the Leasing Agreement.

### **Land Lease Commencement and Hotel & Casino Lease Commencement**

Subject to the conditions precedent set out above, Land Lease Commencement shall take place on the Land Lease Commencement Date at the principal place of business of the Lessee in Hong Kong (or at such other time or venue as shall be mutually agreed by the parties to the Leasing Agreement in writing) when all (but not some only) of the events described in the Leasing Agreement take place. At Hotel & Casino Lease Commencement, the Lessor shall settle and discharge the Hotel & Casino Lease Consideration in accordance with the Leasing Agreement.

Without prejudice to any other remedies available to the Lessor or the Lessee, if in any respect the relevant provisions to the Leasing Agreement are not complied with by the Lessor or the Lessee at Land Lease Commencement, the Lessee (in case of default by the Lessor) or the Lessor (in case of default by the Lessee) may:

- (a) defer Land Lease Commencement by not more than 28 days (and so that the provisions in the Leasing Agreement shall apply to the Land Lease Commencement as so deferred);
- (b) proceed to Land Lease Commencement insofar as is practicable (without prejudice to its rights under the Leasing Agreement); or
- (c) terminate the Leasing Agreement, upon which the Leasing Agreement shall cease to be of any effect except for certain terms and conditions of the Leasing Agreement which shall remain in force and save in respect of claims arising out of any antecedent breach of the Leasing Agreement.

Subject to the conditions precedent set out above, Hotel & Casino Lease Commencement shall take place on the Hotel & Casino Lease Commencement Date at the principal place of business of the Lessee in Hong Kong (or at such other time or venue as shall be mutually agreed by the parties to the Leasing Agreement in writing) when all (but not some only) of the events described in the Leasing Agreement take place.

At Hotel & Casino Lease Commencement Date, the Lessor and the Lessee shall have mutually confirmed in writing the Hotel & Casino Lease Commencement, and the Lessor shall settle and discharge the first payment of the Hotel & Casino Lease Consideration in accordance with the Leasing Agreement.

Without prejudice to any other remedies available to the Lessor or the Lessee, if in any respect the relevant provisions to the Leasing Agreement are not complied with by the Lessor or the Lessee at Hotel & Casino Lease Commencement, the Lessee (in case of default by the Lessor) or the Lessor (in case of default by the Lessee) may:

- (a) defer Hotel & Casino Lease Commencement by not more than 28 days (and so that the provisions in the Leasing Agreement shall apply to the Hotel & Casino Lease Commencement as so deferred);
- (b) proceed to Hotel & Casino Lease Commencement insofar as is practicable (without prejudice to its rights under the Leasing Agreement); or
- (c) terminate the Leasing Agreement, upon which the Leasing Agreement shall cease to be of any effect except for certain terms and conditions of the Leasing Agreement which shall remain in force and save in respect of claims arising out of any antecedent breach of the Leasing Agreement.

## **Security**

To secure the performance of the Leasing Agreement and the Land Lease by the Lessor, MSOL and TDIL,

- (a) MSOL and TDIL have each executed a deed of guarantee to unconditionally and irrevocably guarantee to the Lessee the Lessor's performance of the Leasing Agreement, the Land Lease and the Hotel & Casino Lease as primary obligor and not as mere surety; and
- (b) the entire issued share capital of MSOL has been charged to and in favour of the Lessee (the **"MSOL Share Charge"**)

(collectively, the **"Securities"**).



The Securities shall be, and shall remain to be, valid, binding and effective during the Land Lease Term or any extension thereto save that the MSOL Share Charge shall be released in accordance with the terms and conditions of the deeds of charge.

The Lessee shall be at liberty to enforce the Securities or any part thereof in case of any breach of the Leasing Agreement or the Land Lease by the Lessor, MSOL and/or TDIL, or of any breach of the Lessor's warranties.

## **Termination**

The Leasing Agreement, the Land Lease or the Hotel & Casino Lease shall not be, and cannot be, terminated by any party to the Leasing Agreement save and except the Lessee. For any avoidance of doubt, upon termination of the Land Lease, the Hotel & Casino Lease shall be terminated simultaneously.

The Lessee may terminate Leasing Agreement, the Land Lease and/or the Hotel & Casino Lease by giving 12 months' notice in writing to the Lessor. Further or in the alternative, the Lessee may terminate the Leasing Agreement, the Land Lease and/or the Hotel & Casino Lease any time (without the need to give any notice to the Lessor) shall:

- (a) any of the Lessor's warranties are, or turn out to be, untrue, inaccurate or misleading;
- (b) the Casino Licence be revoked or suspended or threatened to be revoked or suspended;
- (c) the Lessor, MSOL and/or TDIL breach any term or condition of the Revenue Apportionment Agreement or of any security or other document in relation or ancillary thereto;
- (d) the Hotel and/or the Casino be prosecuted, fined, or otherwise punished or sanctioned for any matter concerning, or in relation to, their respective operation and/or management as well as their respective business;
- (e) any event which may, in the absolute discretion of the Lessee, have material adverse impact on the legal, financial, commercial, operational or other impact on the Land, the Hotel and/or the Casino have taken place;
- (f) there be any variation to the Shareholding Structure;
- (g) the Lessor, MSOL or TDIL be, or become, insolvent, fail to repay their respective debts on due dates or involved in such litigation the outcome of which is or is likely to have, in the absolute discretion of the Lessor, any material adverse impact on the legal, financial, commercial, operational or other impact on the Land, the Hotel and/or the Casino;
- (h) the Lessor, MSOL or TDIL be wound-up by a court of any competent jurisdiction;
- (i) the Land cannot be, or can no longer be, used for such purposes or in such manner as contemplated by the Lessee; or
- (j) the Lessee, in its sole and absolute discretion, render it inappropriate, improper or undesirable to continue this Agreement, the Land Lease and/or the Hotel & Casino Lease.

Upon termination of the Leasing Agreement, the Land Lease and/or the Hotel & Casino Lease, the Lessee shall forthwith be relieved from all duties and responsibilities thereunder, and no party to the Leasing Agreement shall have any recourse or right of action whatsoever against the Lessee for any termination of the Leasing Agreement, the Land Lease and/or the Hotel & Casino Lease by the Lessee and/or any relief of the Lessor's duties and responsibilities thereunder.

Upon any termination of the Leasing Agreement, the Land Lease and/or the Hotel & Casino Lease, the Lessor shall forthwith acquire all Facilities and other buildings and constructions erected by the Lessee or the Company on the Land at the then market value of such or any such Facilities, buildings and constructions, and shall the parties to the Leasing Agreement fail to agree on such market value, a valuer or surveyor approved by the Lessee shall be retained to assess and determine the value, which assessment and determination shall be final and binding on all parties to the Leasing Agreement, and the fees of the valuer or surveyor thus appointed shall be borne by the Lessor and the Lessee in equal shares. The time, mode and manner for payment of acquisition price by the Lessor to the Lessee shall be agreed by the parties to the Leasing Agreement at the relevant juncture.

### **The Promissory Note**

Pursuant to the Leasing Agreement, the Lessee and/or its subsidiary or fellow subsidiary will issue the Promissory Note in the principal sum of HK\$700,000,000 to the Lessor or its nominee as part payment of the Land Lease Consideration at Land Lease Commencement.

The Promissory Note are unsecured and non-interest bearing. The Promissory Note is not transferrable and shall be due on 31 March 2018.

### **THE REVENUE APPORTIONMENT AGREEMENT**

**Date** : 9 January 2014 (after trading hours)

#### **Parties:**

**Lessor** : Hong Kong Entertainment (Overseas) Investments Limited, a company of limited liability incorporated in the CNMI and wholly-owned by TDIL

**Lessee** : Gain Millennia Limited, a company of limited liability incorporated in the British Virgin Islands and wholly-owned by the Company

**First Guarantor** : Mega Stars Overseas Limited, a company of limited liability incorporated in the British Virgin Islands

**Second Guarantor** : Tinian Dynasty Investments Limited, a company of limited liability incorporated in the British Virgin Islands

Subject to the terms and conditions of the Revenue Apportionment Agreement, the Lessor shall apportion and assign, and the Guarantors shall jointly and severally procure the Lessor to apportion and assign, to the Lessee absolutely and free from any encumbrance whatsoever the Lessor's right, title interest and benefits in the Revenue (the "**Revenue Stream**") from the Commencement Date.

Pursuant to the Revenue Apportionment Agreement, Revenue shall mean the total of (i) 0.5% of the Rolling Turnover generated by the Lessor and/or its patrons at the Casino; and (ii) 40% of all revenue of the Lessor excluding Rolling Turnover of each calendar month during the term of the Revenue Apportionment Agreement, which shall commence on the Commencement Date and end on 31 March 2034 (or such other day as the parties to the Revenue Apportionment Agreement may otherwise agree in writing), and without any deduction whatsoever, as recorded in the management accounts of the Lessor.

Upon commencement of the Revenue Payment, the Lessor shall relinquish all its rights, interest and title in the Revenue Stream, and the Lessee shall become the sole legal and beneficial owner of the Revenue Stream and be entitled to the rights attached thereto. The Lessor shall pay to the Lessee the Revenue without any deduction whatsoever during the Revenue Apportionment Agreement Term on each and every Revenue Payment Day. For the avoidance of doubt, the first Revenue Payment shall fall on 31 May 2015.

The Lessor undertakes that its audited financial statements with respect to each and every financial year shall be published by 15 May of the calendar year which immediately follows the financial year concerned. Upon availability of the audited financial statements, necessary adjustments to the Revenue Stream shall be made. Such financial statements are prepared in accordance with the international financial reporting standards and audited by an auditor approved by the Lessee. The Lessee may at any time at its own expenses appoint auditors or agents or such parties to check the Revenue Stream. The Lessor shall at all times provide books and records to the agents of the Lessee for inspection.

Without prejudice to other provisions in the Revenue Apportionment Agreement, shall the Lessor default and/or delay in making Revenue Payment or any part thereof, interest shall accrue on such or such relevant amount of Revenue Payment at the prime rate (as prescribed by the Hong Kong and Shanghai Banking Corporation Limited from time to time) per annum from and including the relevant Revenue Payment Day until the full and final settlement and discharge of such or such relevant amount of Revenue Payment (the “**Interest**”). For any avoidance of doubt, the Revenue Payment and/or the Interest shall be recoverable by the Lessee against the Lessor and the Guarantors jointly or severally as a debt due and owing to the Lessee.

## **Consideration**

Save and except for the Revenue, no consideration will be payable by the Lessee under the Revenue Apportionment Agreement.

## **Conditions Precedent**

Commencement shall be subject to the Hotel and Casino Lease Commencement.

## **Revenue Guarantee**

The Lessor and the Guarantors irrevocably and unconditionally guaranteed to the Lessee that the Revenue Stream for the First Relevant Period shall not be less than HK\$450,000,000 in aggregate. In the event that the Revenue Stream received and/or receivable by the Lessee for the First Relevant Period shall be less than HK\$450,000,000, the Lessor and the Guarantors jointly and severally undertake to pay to the Lessee an amount equivalent to the difference between HK\$450,000,000 and the actual Revenue Stream received and/or receivable by the Lessee during the First Relevant Period (the “**First Shortfall**”), which payment shall be made and settled in such mode and manner as set out below:

- (a) the principal amount of the Promissory Note shall be reduced by an amount equivalent to the First Shortfall forthwith upon expiration of the First Relevant Period on a dollar to dollar basis, but the maximum principal amount of the Promissory Note to be deducted shall be HK\$100,000,000; and
- (b) any balance of the First Shortfall shall be made good by the Lessor's payment of any amount equivalent to such balance on a dollar to dollar basis in cash or in any other mode of payment as designated by the Lessee in writing at the relevant juncture within 20 Hong Kong Business Days of the expiration of the First Relevant Period.

The Lessor and the Guarantors irrevocably and unconditionally guaranteed to the Lessee that the Revenue Stream for the Second Relevant Period shall not be less than HK\$450,000,000 in aggregate. In the event that the Revenue Stream received and/or receivable by the Lessee for the Second Relevant Period shall be less than HK\$450,000,000, the Lessor and the Guarantors jointly and severally undertake to pay to the Lessee an amount equivalent to the difference between HK\$450,000,000 and the actual Revenue Stream received and/or receivable by the Lessee during the Second Relevant Period (the "**Second Shortfall**"), which payment shall be made and settled in such mode and manner as set out below:

- (a) the principal amount of the Promissory Note shall be further reduced by an amount equivalent to the Second Shortfall forthwith upon expiration of the Second Relevant Period on a dollar to dollar basis, but the maximum principal amount of the Promissory Note to be further deducted shall be HK\$100,000,000; and
- (b) any balance of the Second Shortfall shall be made good by the Lessor's payment of any amount equivalent to such balance on a dollar to dollar basis in cash or in any other mode of payment as designated by the Lessee in writing at the relevant juncture within 20 Hong Kong Business Days of the expiration of the Second Relevant Period.

## **Security**

As security for the Lessor and the Guarantors' performance of the Revenue Apportionment Agreement, TDIL has executed a first legal charge to charge to and in favour of the Lessee the entire equity interest in the Lessor, and likewise, MSOL has executed a first legal charge to charge to and in favour of the Lessee the entire portfolio of its shareholding in TDIL.

## **THE CB OPTIONS AND POSSIBLE CB**

### *CB Options*

On 9 January 2014, subject to the Land Lease Commencement, the directors of Well Target Limited, being the sole legal and beneficial owner of 100% of the share capital of MSOL, resolved to grant 10 non-transferable CB Options to the Optionholder(s) at the premium of HK\$1 each with all such option in registered form conferring rights upon the Optionholder(s), at any time during the Option Exercise Period, to subscribe for HK\$20,000,000 each in principal amount of the Possible CB.

Pursuant to the instrument of the CB Options, the subscription rights shall be contained in and evidenced by the CB Options and shall be exercisable by the Optionholder(s) in accordance with the terms set out in the instrument of the CB Options during the Option Exercise Period provided that:

- (a) the total number of the CB Options shall be 10, and as such, there shall be 10 CB Options certificates;
- (b) the Subscription Price shall be HK\$20,000,000 per CB Option, equivalent to the principal amount of the Possible CB subscribed;
- (c) the CB Options shall entitle the Optionholder(s) to subscribe for Possible CB with principal amount of HK\$20,000,000 upon exercise of the subscription right;
- (d) no fraction of a CB Option and/or the subscription right thereunder can or shall be exercised, and as such, if an Optionholder(s) elects or decides to exercise a CB Option and/or the subscription right thereunder, that Option and/or the subscription right shall and ought to be exercised fully, entirely and completely; and
- (e) upon exercise of any CB Option and/or the subscription right thereunder, the Optionholder(s) shall subscribe for the entire principal amount of the Possible CB.

The CB Options and the subscription rights thereunder are not, and shall not be, transferrable.

The CB Options shall lapse at the expiration of the Option Exercise Period, and any subscription right not having been exercised prior to the expiration of the Option Exercise Period shall lapse and cannot, and shall not, be exercised.

The Subscription Price shall be paid to Well Target either in cash or by a cashier order upon exercise of the CB Options and/or the subscription right thereunder.

Under no circumstance shall the Subscription Price be adjusted or revised without the consent of Well Target and the Optionholder(s).

#### *Possible CB*

Set out below are the major terms of the Possible CB:

<b>Issuer of the Possible CB:</b>	Well Target Limited
<b>Principal amount:</b>	HK\$200,000,000
<b>Maturity Date:</b>	31 March 2018
<b>Interest:</b>	The Possible CB shall not bear any interest
<b>Conversion Period:</b>	The period commencing from the date of issue of the Possible CB and ending on the fifth Hong Kong Business Day prior to the Maturity Date, both dates inclusive
<b>Conversion Price:</b>	HK\$26,666.66 per Conversion Share

<b>Conversion Shares:</b>	Up to 7,500 new shares of Well Target to be issued by Well Target, which shall represent not less than 75% of the entire issued share capital of Well Target as enlarged following conversion of the Possible CB in its entirety
<b>Conversion:</b>	<p>Each Bondholder shall have the right, exercisable during the Conversion Period to convert the whole or any part (in multiples of HK\$1,000,000) of the outstanding principal amount of the Possible CB held by such Bondholder(s) into such number of Conversion Shares as will be determined by dividing the principal amount of the Possible CB to be converted by the Conversion Price</p> <p>No fraction of a Conversion Share shall be issued on conversion of the Possible CB. Well Target shall pay a cash amount in HK\$ equal to such amount of Possible CB that is not converted</p>
<b>Redemption:</b>	The Possible CB is redeemable at maturity or in the events of default as specified in the instrument of the Possible CB
<b>Ranking:</b>	The obligations of Well Target arising under the Possible CB constitute general, unsecured and unsubordinated obligations of Well Target and rank equally among themselves and <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of Well Target
<b>Transferability:</b>	The Possible CB will be freely transferable and shall be transferable in whole or in multiples of HK\$1,000,000 of the outstanding principal amount of the Possible CB

For the avoidance of the doubt, the subscription rights attaching to the CB Options held by the Optionholder(s) and/or the exercise of conversion right attaching to the Possible CB may only be exercised by the Optionholder(s) and Bondholder(s) respectively.

The exercise of the subscription right attaching to the CB Options by the Optionholder(s) and/or the subsequent exercise of conversion right attaching to the Possible CB by the Bondholder(s) may constitute separate notifiable transaction(s) to the Company under the GEM Listing Rules. The Company will comply with the respective GEM Listing Rule requirements accordingly.

## **THE REFERRAL AGREEMENT**

**Date** : 30 August 2013

### **Parties:**

**Investing Party** : Gain Millennia Limited, a company of limited liability incorporated in the British Virgin Islands and wholly-owned by the Company

**Introducing Agent** : FT Investment Management Limited, a company of limited liability incorporated in the British Virgin Islands (“**Introducing Agent**”)



To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the Introducing Agent and its ultimate beneficial owner are third parties independent of the Company and not connected persons (as defined in the GEM Listing Rules) of the Company.

### **Referral services**

Pursuant to the Referral Agreement, the Introducing Agent agrees to use its best endeavours at all the time to provide the following service to the Lessee:

- (i) negotiating and liaising with relevant parties for matters concerning the proposed investment in and/or assistance provided to TDIL, its subsidiaries and/or their respective properties and/or business;
- (ii) facilitating the Lessee's entering into the formal investment agreement with relevant parties; and
- (iii) handling such matters in relation to the proposed investment in and/or assistance provided to TDIL, its subsidiaries and/or their respective properties and/or business, the formal investment agreement and the Referral Agreement, as and when requested by the Lessee.

### **Referral fee**

In consideration of the above referral services, the Lessee agreed to pay a fee at the rate of 2.5% of the Consideration to the Introducing Agent. In view of the investment opportunity in Land and the prospects of the business of the Hotel and the Casino, the parties to the Referral Agreement, after arm's length negotiations, have mutually arrived at the referral fee.

The referral fee shall be settled with 7 days after the completion of the Leasing Agreement.

### **INFORMATION ON THE LESSOR**

The Lessor, Hong Kong Entertainment (Overseas) Investments Limited, is a company of limited liability incorporated in the CNMI and wholly-owned by the TDIL. The Lessor is principally engaged in the operation of the Hotel and Casino.

The Lessor is, immediately prior to the execution of the Leasing Agreement,

- (a) the current lessee and the Head Lessee, and is the only party to the Leasing Agreement having exclusive right to occupy and use the Land and to operate and manage the Hotel and the Casino free and clear of all encumbrances;
- (b) the Land is constituted by various pieces of land in Tinian, CNMI and of and in the appurtenances messuage erections and buildings (inclusive of the Hotel and the Casino) thereon together with the sole and exclusive right and privilege to hold use occupy and enjoy the Land;
- (c) the current holder of the original leasehold agreements by which the Land is leased to the Lessor by the respective Head Lessors who are owners of different pieces of land which constitute the Land; and
- (d) the current occupier, operator and manager of the Hotel and the Casino and the owner of the facilities, fixtures and fittings therein, and the Hotel and the Casino occupy part of the Land;

The Lessor holds a valid and effective Casino Licence, and the Lessor represents and warrants that the Casino Licence shall not expire until 3 December 2036.

## INFORMATION ON THE LAND

The Land includes and covers:

- (i) Lot No. 035 T 03 containing an area of 25,143 square meters, more or less, as more particularly described on Drawing/Cadastral Plat No. 035 T 00, the original of which was recorded with the Land Registry, Saipan, CNMI on March 8, 1976 as Document No. 5134 (“**Land A**”);
- (ii) Lot No. 035 T 09 containing an area of 24,599 square meters, more or less, as more particularly described on Drawing/Cadastral Plat No. 035 T 00, the original of which was recorded with the Commonwealth Recorder’s Office, Saipan, CNMI on March 8, 1976 as Document No. 5134 (“**Land B**”);
- (iii) Lot No. 035 T 14 (formerly a part of original Lot No. 035 T 07) containing an area of 7,500 square meters, more or less, as more particularly described on Drawing/Cadastral Plat No. 035 T 01, the original of which was recorded with the Commonwealth Recorder’s Office, Saipan, CNMI on June 19, 1984 as File No. 84-950 (“**Land C**”);
- (iv) Lot No. 035 T 15 (formerly a part of original Lot No. 035 T 07) containing an area of 17,500 square meters, more or less, as more particularly described on Drawing/Cadastral Plat No. 035 T01, the original of which was recorded with the Commonwealth Recorder’s Office, Saipan, CNMI on June 19, 1984 as File No. 84-950 (“**Land D**”);
- (v) Lot No. 035 T 16 (formerly a part of original Lot No. 035 T 08) containing an area of 10,000 square meters, more or less, as more particularly described on Drawing/Cadastral Plat 035 T 01, the original of which was recorded with the Commonwealth Recorder’s Office, Saipan, CNMI on June 19, 1984 as File No. 84-950 (“**Land E**”);
- (vi) Lot No. 035 T 17 (formerly a part of original Lot No. 035 T 08) containing an area of 15,000 square meters, more or less, as more particularly described on Drawing/Cadastral Plat No. 5009/89, the original of which was recorded with the Commonwealth Recorder’s Office, Saipan, CNMI on April 5, 1989 as Document No. 89-1048 (“**Land F**”); and
- (vii) Lot No. 119 T 01 containing an area of 25,315 square meters, more or less, as more particularly described on Drawing/Cadastral Plat No. 119 T 00, the original of which was recorded with the Land Registry, Saipan, CNMI on July 7, 1976 as Document No. 5310 (“**Land G**”).

The Land also includes any existing improvements and any improvements subsequently located thereon during the term of the Leasing Agreement and the appurtenances and other incidents associated therewith, specifically including the complex building of the Hotel and the Casino, the easements and appurtenances of the respective Head Lessors in adjoining and adjacent land, highways, roads, streets, whether public or private, reasonably required for the installation, maintenance, operation, and service of sewer, water, gas, power and other utility lines and for driveways and approaches to and from abutting highways or streets for this and benefit of the leased property, including any improvements now or hereafter situated thereon.

The Head Lease for Land A will expire on 14 August 2051. The Head Leases for Land B, Land C, Land D, Land E and Land F, respectively, will expire on 19 May 2051. The Head Lease for Land G will expire on 20 July 2051.

## **INFORMATION ON THE HOTEL AND CASINO**

Opened since April 1998, the Hotel is the one and only hotel on Tinian Island with the one and only casino in whole of CNMI.

The Hotel has a total 404 guest rooms including 22 executive suites and 2 presidential suites. The Hotel also features 5 restaurants of choices of Japanese, traditional Cantonese, Korean and western style cuisines, and recreational facilities such as swimming pool and beach.

The Casino is now operating about 40 tables of mostly Baccarat and Blackjack. There are also around 50 slot machines.

## **INFORMATION ON WELL TARGET**

Well Target Limited is a company incorporated in British Virgin Islands with limited liability, with an authorised share capital of 10,000 shares of US\$1 each, 2,500 of which have been issued and fully paid as at the date of this announcement. Well Target is an investment holding company and as at the date of this announcement, Mr. Chan Chun Wai is the sole beneficial owner of Well Target.

As at the date of this announcement, Well Target is interested in 43,750 shares of MSOL, being the entire issued share capital of MSOL, a company of limited liability incorporated in the British Virgin Islands. Upon completion of the subscription under the Subscription Agreements, which shall take place prior to the Land Lease Commencement Date, MSOL shall be the sole legal and beneficial owner of 99.99% of the enlarged issued share capital of TDIL, a company of limited liability incorporated in the British Virgin Islands, the principal business of which is investment holding.

As mentioned in the section headed “information on the Lessor”, TDIL is the sole and beneficial owner of the entire issued share capital of the Lessor. Accordingly, the Lessor will be a subsidiary of Well Target.

The consideration for the subscription under the Subscription Agreements is US\$38,250,000.

Save as disclosed above, to the best knowledge of the management of the Company, Well Target and Mr. Chan Chun Wai are third parties independent of the Company and its connected persons and have no relationship with TDIL, MSOL, the Lessor and the Head Lessors and their respective existing ultimate beneficial owners as at the date of this announcement.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE LEASING AGREEMENT, THE REVENUE APPORTIONMENT AGREEMENT AND ACCEPTING THE CB OPTIONS TO SUBSCRIBE FOR POSSIBLE CB**

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

The management of the Group has been reviewing its existing businesses from time to time and strived to improve the business operation and financial position of the Group. It has been the business strategy of the Group to proactively seek potential investment opportunities that could

enhance the value to the Shareholders. The Directors consider that it is beneficial for the Group to seek suitable investment opportunities from time to time to diversify its existing business portfolio and to broaden its source of income.

The Board considers the entering into of the Leasing Agreement and the Revenue Apportionment Agreement represents an attractive investment opportunity to the Company as (i) the Land Lease Consideration of HK\$1,000,000,000 represent a discount of approximately 23.08% as compared with HK\$1,300,000,000, being the expected value of the Land to be appraised by a valuer as one of the conditions precedent to the Leasing Agreement; (ii) the amount of apportionment of the Revenue guaranteed by the Lessor and Guarantors for the two financial years ending 31 March 2017 under the Revenue Apportionment Agreement, being not less than HK\$900,000,000 in aggregate; (iii) the Investment is in line with one of the current principal business activities of the Company, namely the properties investments business which generates rental income to the Company; and (iv) the Investment provides the Company more insight into the hotel and casino business industry which may be beneficial to future development of the Company.

The Board is of the view that the CB Options to subscribe for Possible CB provides flexibility for further investment in the hotel and casino business industry. The Board will continuously monitor the Investment and the business environment of the hotel and casino business on the Land before considering the exercise the CB Options and/or the Possible CB. As at the date of this announcement, the Board has no intention to exercise any of the CB Option and/or the Possible CB.

After taking into account of the above, the Board considers that the terms of the Leasing Agreement, Revenue Apportionment Agreement (including the issue of the Promissory Note), CB Options and Possible CB are on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

Upon the Land Lease Commencement and the Hotel & Casino Commencement, the Company may make further investment in, including but not limited to, (i) renovation of the existing hotel rooms of the Hotel; (ii) improving the transportation to the Hotel and Casino; and (iii) construction of further accommodation and leisure facilities.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **Very Substantial Acquisition**

As the applicable percentage ratios defined under the GEM Listing Rules of the Transaction exceed 100%, the Transaction constitutes very substantial acquisitions under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, publication and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) the Lessor, MSOL and TDIL, and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons; and (ii) each of the Lessor, MSOL and TDIL, and its ultimate beneficial owners and their respective associates did not hold any Shares, or options or securities convertible or exchangeable into Shares as at the date of this announcement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Transaction which is different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the SGM to ratify, confirm and approve the Leasing Agreement, the Revenue Apportionment Agreement and the transactions contemplated thereunder. If the Lessor, MSOL and TDIL, and their respective associates hold any Shares on the date of the SGM, they will be required to abstain from voting on the relevant resolutions to be proposed at the SGM in relation to the Leasing Agreement, the Revenue Apportionment Agreement and the transactions contemplated thereunder.

### **Advance to an Entity**

Under Rule 17.15 of the GEM Listing Rules, a general disclosure obligation arises where the relevant advance to an entity by the Company and its subsidiaries exceeds 8% of the Company's latest published consolidated total assets. The Deposit and the Further Deposit constitute an advance to an entity under Rule 17.15 of the GEM Listing Rules and the details of which are disclosed herein in compliance with Rule 17.15 of the GEM Listing Rules.

### **UPDATE ON PROGRESS AND STATUS OF THE INVESTMENT**

**Trading in the Shares was suspended at the request of the Company with effect from 9:00 a.m. on 10 January 2014. On 7 February 2014, the Company received a letter from the Stock Exchange regarding its ruling on the proposed Investment ("Ruling"). According to the Ruling, the proposed Investment was deemed as a reverse takeover under Rule 19.06 of the GEM Listing Rules as the Stock Exchange considers, among other things, the Investment an extreme case despite that the Investment falls outside the bright line tests, which apply to two specific forms of reverse takeover pursuant to Rules 19.06(6)(a) and (b) of the GEM Listing Rules.**

**The Company disagrees with the Ruling and has made an application to the Listing Committee on 14 February 2014 to have the Ruling reviewed by the Listing Committee pursuant to Rule 4.06 of the GEM Listing Rules. The review hearing has been tentatively scheduled on 25 March 2014. Should there be any material developments, the Company will update the Shareholders as and when appropriate by publishing further announcements.**

**In order to facilitate the funding requirement of the Investment and general working capital of the Group, the Company has been in negotiation for disposal of its investment assets and other fund raising exercise. As at the date of this announcement, no formal agreement in relation to the proposed disposal of investment assets and fund raising exercise has been reached. Save as disclosed above, the Company confirms that it is not aware of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).**

**As the Land Lease Commencement, the Hotel & Casino Lease Commencement and the apportionment of Revenue are subject to the conditions precedent set out in the Leasing Agreement and the Revenue Apportionment Agreement, the Investment may or may not proceed. Subject to the outcome of the review by the Listing Committee, the Investment may or may not be deemed as a reverse takeover. Should the outcome of the review remain as said**

**under the Ruling, the Company will negotiate with the relevant parties so as to proceed with the Investment by way of further appeal to and review by the Listing (Review) Committee or to proceed with different structures. Shareholders and investors should exercise caution when dealing in securities of the Company.**

## **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares has been suspended with effect from 9:00 a.m. on 10 January 2014, pending the publication of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:00 a.m. on 28 February 2014.

## **DEFINITIONS**

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

“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules and the word “connected” shall be construed accordingly
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of Possible CB
“Casino”	the casino part of the Tinian Dynasty Hotel & Casino on the Land
“Casino Licence”	casino operation licence issued by the Tinian Casino Gaming Control Commission with respect to the casino facilities in the Casino
“CB Option(s)”	the 10 options granted by the directors of Well Target at the premium of HK\$1 each with all such option in registered from conferring rights upon the Optionholder(s), at any time during the Option Exercise Period, to subscribe for HK\$20,000,000 each in principal amount of the Possible CB.
“CNMI”	the Commonwealth of Northern Mariana Islands
“CNMI Business Day”	a day on which banks in CNMI are open for normal banking business (excluding Saturdays, Sundays and any public holiday of CNMI)
“Commencement”	commencement of the Revenue Payment
“Commencement Date”	the date of commencement of Revenue Payment, and the Commencement Date shall fall on the same day in which the Hotel and Casino Lease commences pursuant to the Leasing Agreement



“Company”	Chinese Strategic Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Growth Enterprise Market of the Stock Exchange
“Consideration”	the Land Lease Consideration and Hotel & Casino Lease Consideration
“Deposit”	the amount of HK\$16,000,000 which had been paid by the Lessee to MSOL upon execution of the MOU on 30 August 2013 as refundable deposit and shall form part of Land Lease Consideration
“Director(s)”	the director(s) of the Company
“Facilities”	collectively, hotels, villas, resorts, water parks and swimming pools, gyms and leisure centres, storage houses, car-parks and other supporting and/or ancillary facilities which the Lessee is entitled and authorised to plan, develop, construct, operate and/or manage other buildings and/or structures on the Land
“First Relevant Period”	the 12-month period ending 31 March 2016
“First Guarantor”	MSOL
“Further Deposit”	HK\$84,000,000 and HK\$200,000,000 of the Land Lease Consideration which shall be settled by the Lessee by cheque or cashier order payable to the Lessor or its nominee within 10 and 60 Hong Kong Business Days respectively after the execution of the Leasing Agreement and the Securities documents
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Guarantors”	the First Guarantor and the Second Guarantor
“Head Lessee(s)”	means the Lessor who leases such pieces of land which constitute the Land from the respective Head Lessors under and pursuant to the various head leases
“Head Lessor(s)”	the registered owner(s) of each piece of land which constitutes the Land
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Business Day(s)”	a day on which banks in Hong Kong are open for normal banking business (excluding Saturdays, Sundays and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.)
“Hotel”	the hotel part of the Tinian Dynasty Hotel & Casino on the Land

“Hotel & Casino Lease”	the Lessee’s sub-leasing of the Hotel and the Casino back to the Lessor during the Hotel & Casino Lease Term
“Hotel & Casino Lease Commencement”	the commencement of the Hotel & Casino Lease which shall take place on the Hotel & Casino Lease Commencement Date
“Hotel & Casino Lease Commencement Date”	the date on which the Hotel & Casino Lease commences, which date shall be not less than 1 CNMI Business Day after the Land Lease Commencement Date
“Hotel & Casino Lease Consideration”	the sum of HK\$1 per annum to be paid by the Lessor to the Lessee as rental for the Hotel & Casino Lease
“Hotel & Casino Lease Term”	the tenure of the Hotel & Casino Lease, which tenure shall commence on the CNMI Business Day which immediately follows the Hotel & Casino Lease Commencement Date and end on 31 March 2024 (both days inclusive)
“Introducing Agent”	FT Investment Management Limited, a company of limited liability incorporated in the British Virgin Islands
“Investment”	the Transaction and the Revenue apportionment under the Revenue Apportionment Agreement
“Land”	together, Land A, Land B, Land C, Land D, Land E, Land F and Land G
“Land A”	Lot No. 035 T 03 containing an area of 25,143 square meters, more or less, as more particularly described on Drawing/Cadastral Plat No. 035 T 00, the original of which was recorded with the Land Registry, Saipan, CNMI on March 8, 1976 as Document No. 5134
“Land B”	Lot No. 035 T 09 containing an area of 24,599 square meters, more or less, as more particularly described on Drawing/Cadastral Plat No. 035 T 00, the original of which was recorded with the Commonwealth Recorder’s Office, Saipan, CNMI on March 8, 1976 as Document No. 5134
“Land C”	Lot No. 035 T 14 (formerly a part of original Lot No. 035 T 07) containing an area of 7,500 square meters, more or less, as more particularly described on Drawing/Cadastral Plat No. 035 T 01, the original of which was recorded with the Commonwealth Recorder’s Office, Saipan, CNMI on June 19, 1984 as File No. 84-950
“Land D”	Lot No. 035 T 15 (formerly a part of original Lot No. 035 T 07) containing an area of 17,500 square meters, more or less, as more particularly described on Drawing/Cadastral Plat No. 035 T01, the original of which was recorded with the Commonwealth Recorder’s Office, Saipan, CNMI on June 19, 1984 as File No. 84-950

“Land E”	Lot No. 035 T 16 (formerly a part of original Lot No. 035 T 08) containing an area of 10,000 square meters, more or less, as more particularly described on Drawing/Cadastral Plat 035 T 01, the original of which was recorded with the Commonwealth Recorder’s Office, Saipan, CNMI on June 19, 1984 as File NO. 84-950
“Land F”	Lot No. 035 T 17 (formerly a part of original Lot No. 035 T 08) containing an area of 15,000 square meters, more or less, as more particularly described on Drawing/Cadastral Plat No. 5009/89, the original of which was recorded with the Commonwealth Recorder’s Office, Saipan, CNMI on April 5, 1989 as Document No. 89-1048
“Land G”	Lot No. 119 T 01 containing an area of 25,315 square meters, more or less, as more particularly described on Drawing/Cadastral Plat No. 119 T 00, the original of which was recorded with the Land Registry, Saipan, CNMI on July 7, 1976 as Document No. 5310
“Land Lease”	the Lessor’s leasing of the Land to the Lessee during the Land Lease Term
“Land Lease Commencement”	the commencement of the Land Lease which shall take place on the Land Lease Commencement Date
“Land Lease Commencement Date”	the date on which the Land Lease commences, which date shall be any Hong Kong Business Day falling within 5 Hong Kong Business Days after satisfaction and/or fulfilment of all the conditions set out in the Leasing Agreement, and the Land Lease Commencement Date shall be a CNMI Business Day
“Land Lease Consideration”	the sum of HK\$1,000,000,000 to be paid by the Lessee to the Lessor for the Land Lease
“Land Lease Term”	the tenure of the Land Lease, which tenure shall commence on the Land Lease Commencement Date and end on 18 May 2051 (both days inclusive), and the Land Lease Term may be extended by mutual agreement between the Lessor and the Lessee in writing prior to expiration of the Land Lease Term
“Leasing Agreement”	the leasing agreement dated 9 January 2014 entered into by the Lessor, Lessee, MSOL and TDIL in relation to, among other things, the Land Lease and Hotel & Casino Lease
“Lessee”	Gain Millennia Limited, a company of limited liability incorporated in the British Virgin Islands and wholly-owned by the Company
“Lessor”	Hong Kong Entertainment (Overseas) Investments Limited, a company of limited liability incorporated in the CNMI and wholly-owned by the TDIL
“Listing Committee”	the listing committee of the main board and Growth Enterprise Market of the Stock Exchange

“Long Stop Date”	the long stop date of the Leasing Agreement, being 5:00 p.m. on 30 June 2014
“MOU”	has the meaning ascribed to it in this announcement
“MSOL”	Mega Stars Overseas Limited, a company of limited liability incorporated in the British Virgin Islands
“MSOL Share Charge”	has the meaning ascribed to it in this announcement
“Optionholder(s)”	the Lessee or its nominee(s)
“Option Exercise Period”	being the period commencing from the date of execution of the instrument of the CB Options and ending on 31 March 2015 (both days inclusive)
“Possible CB”	convertible bonds to be issued by the Well Target in the principal amount of up to HK\$200,000,000 which is convertible into a maximum of 7,500 new shares of Well Target at the conversion price of HK\$26,666.66 per share
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Promissory Note”	non-interest bearing and non-transferrable promissory note in the aggregate principal amount of HK\$700,000,000 to be issued by the Lessee and/or its subsidiary or its fellow subsidiary to the Lessor or its nominee for part of the Land Lease Consideration and shall be due on the 31 March 2018
“Referral Agreement”	the referral agreement dated 30 August 2013 entered into between the Lessee and the Introducing Agent in relation to the Transaction
“Revenue”	the total of (i) 0.5% of the Rolling Turnover generated by the Lessor and/or its patrons at the Casino; and (ii) 40% of all revenue of the Lessor excluding Rolling Turnover of each calendar month during the Revenue Apportionment Agreement Term, and without any deduction whatsoever, as recorded in the management accounts of the Lessor
“Revenue Apportionment Agreement”	the revenue apportionment agreement dated 9 January 2014 entered into by the Lessor, Lessee, MSOL and TDIL in relation to, among other things, the Revenue apportionment
“Revenue Apportionment Agreement Term”	the term of the Revenue Apportionment Agreement, which shall commence on the Commencement Date and end on 31 March 2034 (or such other day as the parties to the Revenue Apportionment Agreement may otherwise agree in writing)

“Revenue Payment”	the 100% of the Revenue paid or payable by the Lessor to the Lessee under and in accordance with the Revenue Apportionment Agreement
“Revenue Payment Day”	the Hong Kong Business Day on which Revenue Payment shall be made by the Lessor to the Lessee, and there shall be 2 Revenue Payment Days for and/or in relation to each financial year during the Revenue Apportionment Agreement Term. The first Revenue Payment Day for Revenue Payment accrued for the period from 1 April to 30 September of the year will fall on 31 October and if that is not a Hong Kong Business Day, then on the Hong Kong Business Day which immediately follows next. The second Revenue Payment Day for Revenue Payment accrued for the period from 1 October to 31 March of the year will fall on 31 May and if that is not a Hong Kong Business Day, then on the Hong Kong Business Day which immediately follows next and with the audited financial statements of the financial year concerned having been published by that 31 May, necessary adjustments on the actual amount of Revenue paid or payable by the Lessor to the Lessee over the financial year concerned may be adjusted accordingly
“Revenue Stream”	has the meaning ascribed to it in this announcement
“Rolling Turnover”	the face value in aggregate of all non-negotiable chips sold by or in the Casino whether in cash or on credit in a calendar month without any deduction whatsoever, as recorded in the management accounts of the Lessor (and subject to audit adjustments)
“Second Guarantor”	TDIL
“Second Relevant Period”	the period commencing from the day which immediately follows the expiration of the First Relevant Period up to 31 March 2017, (both days inclusive)
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and, if thought fit, ratify, confirm and approve the Leasing Agreement, the Revenue Apportionment Agreement and the transactions contemplated thereunder, including, among other things, the Land Lease, the Hotel & Casino Lease and the apportionment of Revenue
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company as at the date of this announcement
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholding Structure”	collectively, the Lessor being only party to the Leasing Agreement having exclusive right to occupy and use the Land and to operate and manage the Hotel and the Casino free and clear of all encumbrances, and TDIL is the sole legal and beneficial owner of the entire issued share capital of the Lessor, and subject to completion of the Subscription Agreements, MSOL is the sole legal and beneficial owner of 99.99% of the entire issued share capital of TDIL

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreements”	collectively, the subscription agreement dated 22 August 2013 executed by, among other parties, TDIL and MSOL, as revised and supplemented by the second supplemental subscription agreement dated 3 January 2014, in relation to the subscription of shares of TDIL by MSOL
“Subscription Price”	HK\$20,000,000 per CB Option
“TDIL”	Tinian Dynasty Investments Limited, a company of limited liability incorporated in the British Virgin Islands
“Transaction”	Land Lease and Hotel & Casino Lease
“Well Target”	Well Target Limited, a company incorporated in British Virgin Islands with limited liability and is the sole legal and beneficial owner of 100% of the share capital of MSOL
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 27 February 2014

*As at the date hereof, the Company’s executive Directors are Mr. Lam Kwok Hing Wilfred, J.P., (Chairman) and Ms. Chan Shui Sheung Ivy; and the independent non-executive Directors are Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward.*

*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 Announcement” 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.*