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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)

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE

Underwriter to the Rights Issue



Rifa Securities Limited

PROPOSED RIGHTS ISSUE

The Company proposes to raise not less than approximately HK\$11,243,836 and not more than approximately HK\$11,345,668, before expenses, by way of the Rights Issue, by issuing not less than 140,547,956 Rights Shares (assuming no Outstanding Share Options are exercised on or before the Record Date) and not more than 141,820,854 Rights Shares (assuming all Outstanding Share Options are exercised in full on or before the Record Date) at the Subscription Price of HK\$0.08 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date.

The Company shall provisionally allot the Rights Shares to the Qualifying Shareholders at the Subscription Price, in the proportion of one Rights Share for every two existing Shares held on the Record Date. The Rights Issue will not be available to the Excluded Shareholders.

After deducting the estimated expenses relating to the Rights Issue, the net proceeds from the Rights Issue is estimated to amount to not less than approximately HK\$10,390,000 and not more than approximately HK\$10,500,000 (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date). Assuming the net proceeds will amount to approximately HK\$10,500,000, the Company intends to use the net proceeds from the Rights Issue as to (i) approximately HK\$2,200,000 for the repayment of outstanding liabilities; (ii) approximately HK\$5,700,000 for the general working capital of the Group; and (iii) remaining net proceeds of approximately HK\$2,600,000 for the loan interest and instalment.

UNDERWRITING AGREEMENT

On 26 May 2020 (after trading hours), the Company and the Underwriter (each a “**Party**” and collectively, the “**Parties**”) entered into the Underwriting Agreement in relation to the underwriting and respective arrangements in respect of the Rights Issue.

The Rights Issue is fully underwritten by the Underwriter. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Underwritten Shares up to 141,820,854 Rights Shares (assuming all Outstanding Share Options are exercised in full on or before the Record Date), subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “**THE UNDERWRITING AGREEMENT**” in this announcement.

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.

Any Shareholder or other person dealing in the existing Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the existing Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

GEM LISTING RULES IMPLICATIONS

As the proposed Rights Issue would not increase the number of issued shares of the Company or the market capitalisation of the Company by more than 50% (on its own or when aggregated with any other rights issues or open offers announced by the issuer (i) within the 12 month period immediately preceding the announcement of the proposed rights issue or (ii) prior to such 12 month period where dealing in respect of the shares issued pursuant thereto commenced within such 12 month period, together with any bonus securities, warrants or other convertible securities (assuming full conversion) granted or to be granted to shareholders as part of such rights issues or open offers) and the Rights Issue is not underwritten by a Director, chief executive or substantial shareholder of the Company (or any of their respective close associates), the Rights Issue is not conditional upon approval by the Shareholders.

GENERAL

The Prospectus Documents, containing further information on the Rights Issue will be despatched to the Qualifying Shareholders on Thursday, 2 July 2020. The Prospectus will be despatched to the Excluded Shareholders for information only. Shareholders and potential investors should exercise caution in dealing in the Shares.

PROPOSED RIGHTS ISSUE

The Company proposes the Rights Issue, details of which are summarised below:

Rights Issue statistics

- Basis of the Rights Issue : One (1) Rights Share for every two (2) existing Shares held on the Record Date
- Number of Shares in issue : 281,095,913 Shares
as at the date of this
announcement
- Number of Rights Shares to be issued : Not less than 140,547,956 Rights Shares (assuming no Outstanding Share Options are exercised on or before the Record Date) and not more than 141,820,854 Rights Shares (assuming all Outstanding Share Options are exercised in full on or before the Record Date)

| | |
|--|---|
| Aggregate nominal value of the Rights Share: | : Not less than HK\$1,405,479.56 and not more than HK\$1,418,208.54 |
| Subscription Price | : HK\$0.08 per Rights Share |
| Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) | : Approximately HK\$0.074 per Rights Share |
| Enlarged number of Shares upon completion of the Rights Issue | : Not less than 421,643,869 Shares and not more than 425,462,562 Shares |
| Gross proceeds from the Rights Issue | : Not less than approximately HK\$11,243,836 and not more than approximately HK\$11,345,668 before expenses |
| Right of excess applications | : Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment |

As at the date of this announcement, there are 2,545,795 Outstanding Share Options which are exercisable up to 22 March 2026 and entitle the Options Holders to subscribe for 2,545,795 Shares under the Share Option Scheme. Save as disclosed above, as at the date of this announcement, the Company has no outstanding derivatives, options, warrants or securities in issue which confer any rights to subscribe for, convert or exchange into Shares.

As at the date of this announcement, the Board has not received any information or other undertakings from any Shareholders of their intention to take up or not to take up the securities of the Company to be offered to them under the Rights Issue. The Company shall not from the date of the Underwriting Agreement until after the Latest Time for Acceptance issue any Shares or issue or grant any options or other securities convertible into, exchangeable for or which carry rights to acquire Shares.

Assuming that none of the Outstanding Share Options are exercised and there will not be any further issue of new Shares or repurchase of Shares on or before the Record Date, the 140,547,956 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents approximately 50% of the total number of issued Shares and approximately 33.33% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

Subscription Price

The Subscription Price is HK\$0.08 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for Excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 24.53% to the closing price of HK\$0.106 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 29.95% to the average closing price of approximately HK\$0.114 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 28.51% to the average closing price of approximately HK\$0.112 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 17.81% to the theoretical ex-rights price of approximately HK\$0.097 per Share based on the closing price of HK\$0.106 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a discount of approximately 62.93% to the audited consolidated net asset value per Share of approximately HK\$0.216 (based on the latest published audited consolidated net asset value of the Group attributable to the Shareholders of approximately HK\$60.7 million and 281,095,913 Shares in issue as at 31 December 2019); and
- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 9.90% (taking into account the maximum Rights Shares to be issued), represented by the theoretical diluted price of approximately HK\$0.103 per Share to the benchmarked price of approximately HK\$0.114 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.106 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of this announcement of approximately HK\$0.114 per Share).

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the ongoing business development and financial position of the Group; and (iii) the reasons as discussed in the section headed "REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS" in this announcement. The Directors consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue, including the right to receive all dividends and distributions which may be declared, made or paid on or after such date.

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders and will not be available to the Excluded Shareholders. The Company will despatch the Prospectus Documents to the Qualifying Shareholders by no later than the Prospectus Posting Date and will despatch the Prospectus only (without the PAL or the Excess Application Form) to the Excluded Shareholders for their information.

To qualify for the Rights Issue, a Shareholder:

- (i) must be registered as a member of the Company on the Record Date; and
- (ii) is not an Excluded Shareholder.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date, any transfer of Shares (together with the relevant Share certificates) must be lodged with the Registrar for registration by 4:00 p.m. on Monday, 22 June 2020. The address of the Registrar, Union Registrars Limited, is Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

It is expected that the last day of dealing in the Shares on a cum-rights basis is Thursday, 18 June 2020 and the Shares will be dealt with on an ex-rights basis from Friday, 19 June 2020. The latest time for acceptance of and payment for the Rights Shares is expected to be at 4:00 p.m. on Thursday, 16 July 2020.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings in the Company will be diluted.

Closure of register of members

The register of members of the Company will be closed from Tuesday, 23 June 2020 to Tuesday, 30 June 2020, both days inclusive, for determining the Shareholders' entitlements to the Rights Issue. No transfer of Shares will be registered during the above book closure period.

Rights of Overseas Shareholders

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Directors will make enquiries as to the applicable securities legislation of the relevant overseas jurisdictions or the requirements of any relevant regulatory body or stock exchange in respect of the issue of the Rights Shares to Overseas Shareholders whose address on the register of members of the Company is in a place outside Hong Kong on the Record Date. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant jurisdiction or any requirement of the relevant regulatory body or stock exchange in that jurisdiction, not to offer the Rights Shares to such Overseas Shareholders, the Rights Issue will not be available to such Overseas Shareholders. The results of the enquiries and the basis of exclusion of the Overseas Shareholders will be included in the Prospectus.

As at the date of this announcement, there is one (1) Overseas Shareholder with registered address situated in the British Virgin Islands.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro rata (but rounded down to the nearest cent) to the Excluded Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Basis of provisional allotments

The Company shall provisionally allot the Rights Shares to the Qualifying Shareholders at the Subscription Price, in the proportion of one (1) Rights Share for every two (2) existing Shares held on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. Any holdings (or balance of holdings) of less than two (2) Shares will not entitle their holders to be provisionally allotted a Rights Share. Please refer to the arrangement as referred to in the paragraph headed "Fractional entitlements" below.

Application for Excess Rights Shares

The Company shall make the Excess Rights Shares available for subscription by the Qualifying Shareholders by means of Excess Application Form, and the Excess Rights Shares represent:

- (i) any of the Rights Shares provisionally allotted but not accepted by any of the Qualifying Shareholders prior to the Latest Time for Acceptance;
- (ii) subject to the provisions of the Underwriting Agreement, any entitlements of the Excluded Shareholders provisionally allotted to a nominee of the Company which are left unsold; and
- (iii) any of the Rights Shares created from the aggregation of fractions of the Rights Shares.

The Directors will allocate any Excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the excess Rights Shares applied for under each excess application;
- (ii) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders; and
- (iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings.

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date, must lodge any transfers of Shares (together with the relevant Share certificates) with the Registrar for registration by no later than 4:00 p.m. on Monday, 22 June 2020.

Fractional entitlements

In any event, fractions of the Rights Shares will not be allotted to any of the Qualifying Shareholders, and fractional entitlements will be rounded down to the nearest whole number of Rights Shares. Any Rights Shares created from the aggregation of fractions of the Rights Shares will be made available for excess application by the Qualifying Shareholders accordingly. Should there be no excess application by the Qualifying Shareholders, those Rights Shares created from the aggregation of fraction of the Rights Shares will be taken up by the Underwriter.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions precedent of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Friday, 24 July 2020 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before Friday, 24 July 2020 by ordinary post, at the respective Shareholders' own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for Excess Rights Shares (if any) are expected to be posted on or before Friday, 24 July 2020, by ordinary post to the applicants, at their own risk, to their registered addresses.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. The nil-paid and fully-paid Rights Shares will be traded in the board lots of 1,800 Shares. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests if they are in any doubt.

THE UNDERWRITING AGREEMENT

On 26 May 2020 (after trading hours), the Company and the Underwriter (each a “**Party**” and collectively, the “**Parties**”) entered into the Underwriting Agreement in relation to the underwriting and respective arrangements in respect of the Rights Issue.

The Rights Shares will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement as described below.

Underwriting Agreement

Date : 26 May 2020 (after trading hours)

Issuer : The Company

Underwriter : Rifa Securities Limited, a licensed corporation carrying out type 1 (dealing in securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities.

As at the date of this announcement, the Underwriter did not hold any Shares. The Underwriter and its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, third parties independent of and not connected with the Company and its connected persons.

Number of Rights Shares : Up to 141,820,854 Rights Shares
underwritten by the
Underwriter

Underwriting Commission : 3.0% of the aggregate Subscription Price in respect of the maximum number of Rights Shares agreed to subscribe or procure subscription respectively by the Underwriter

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition, the market price of the Company and the prevailing underwriting commission of the market. The Directors consider that the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

Subject to the fulfilment of all the conditions precedent (save and except such conditions precedent waived in accordance with the conditions precedent (v) and the paragraph set as out in the section headed "**Conditions precedent of the Rights Issue**") contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter shall subscribe or procure subscription on the terms of the Prospectus Documents (insofar as the same are applicable) for such Untaken Shares.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination:

- (1) in the absolute opinion of any of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than twenty (20) consecutive Business Days otherwise than due to or in connection with or in relation to the Underwriting Agreement and/or the Rights Issue and excluding any suspension in connection with the clearance of the announcement or other matters in connection with the Underwriting Agreement and/or the Rights Issue; or
- (8) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue,

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing served on the Company prior to the Latest Time for Termination (the “**Termination Notice**”). For avoidance of any doubt, the Underwriter shall not rely on the global pandemic of COVID-19 and/or the impact or aftermath thereof as any ground or reason to terminate or rescind the Underwriting Agreement and/or the Rights Issue.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

Conditions precedent of the Rights Issue

Completion of the Rights Issue is conditional upon:

- (i) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies (WUMP) Ordinance not later than the Prospectus Posting Date;
- (ii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares;
- (iv) the obligations of the Underwriter having become unconditional and the Underwriting Agreement not having been terminated in accordance with its terms;
- (v) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement, and the Underwriting Agreement is not terminated in accordance with its terms;
- (vi) compliance with the requirements under the applicable laws and regulations of Hong Kong and those of Bermuda;
- (vii) the Underwriter having obtained all necessary consent and/or approval for entering into the Underwriting Agreement or the transactions contemplated herein; and
- (viii) the entering into of binding agreements by the Underwriter with certain placees and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Rights Shares, such that none of the Underwriter together with such parties acting in concert with the Underwriter (having the meaning as set out in the Takeovers Code) nor any of the placees and/or sub-underwriters and their respective parties acting in concert (having the meaning as set out in the Takeovers Code) shall be interested in 10% or more of the issued share capital of the Company as enlarged by the Rights Issue.

Apart from the conditions precedent as set out in (v) above which can be waived by the Underwriter unilaterally by notice in writing to the Company prior to the Latest Time for Termination, all other conditions precedent are incapable of being waived. The Parties shall use their respective best endeavours to procure the fulfilment of all the conditions precedent by the Latest Time for Termination or such other date as the Parties may agree in writing and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Rights Shares or to give effect to the Rights Issue and the arrangements contemplated in the Underwriting Agreement.

If any of the conditions precedent (save and except those having been waived in accordance with the above paragraph) are not satisfied in whole by the Latest Time for Termination or such other date as the Parties may agree in writing, the Underwriting Agreement shall terminate (save and except the clauses of fees and expenses and indemnity and certain clauses which shall remain in full force and effect) and no Party shall have any claim against the other Party for costs, damages, compensation or otherwise save for any antecedent breaches.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in businesses of properties investments, securities trading, loan financing, trading business and dealing in, advising on securities and asset management.

The Directors consider that the Rights Issue, which is on a fully underwritten basis, will allow the Group to strengthen its capital structure without incurring debt financing cost, improve the financial and liquidity position and provide additional general working capital. Meanwhile, the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company and to continue to participate in the future development of the Group. The Qualifying Shareholders are also able to further increase their interests in the Company through excess applications.

The maximum gross proceeds from the Rights Issue will be approximately HK\$11,300,000. The net proceeds from the Rights Issue, after deducting professional fees and all other relevant expenses, are estimated to be approximately HK\$10,500,000. The net proceeds from the Rights Issue are intended to be used in the following manner:

- (i) as to approximately HK\$2,200,000, being approximately 21% of the net proceeds, for repayment of outstanding liabilities;
- (ii) as to approximately HK\$5,700,000, being approximately 54% of the net proceeds, for general working capital of the Group; and

(iii) remaining net proceeds of approximately HK\$2,600,000, being approximately 25% of the net proceeds, for the loan interest and instalment.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structures of the Company as at the date of this announcement to immediately after completion of the Rights Issue assuming (i) no exercise of the Outstanding Share Options on or before the Record Date; and (ii) the exercise of all the Outstanding Share Options in full on or before the Record Date for illustration purpose only:

Scenario 1: assuming no exercise of the Outstanding Share Options on or before the Record Date

| Shareholders | Immediately upon completion of the Rights Issue | | | | | |
|--|---|------------------|--|------------------|---|------------------|
| | (i) As at the date of this announcement | | (ii) Assuming full acceptance by all Qualifying Shareholders and there is no Excluded Shareholders | | (iii) Assuming (a) no acceptance by the Qualifying Shareholders; and (b) all the Untaken Shares are taken up by the Underwriter and its subscribers procured by the Underwriter | |
| | <i>Number of Shares</i> | <i>% Approx.</i> | <i>Number of Shares</i> | <i>% Approx.</i> | <i>Number of Shares</i> | <i>% Approx.</i> |
| Substantial Shareholder | | | | | | |
| Tse Young Lai | 48,538,800 | 17.27% | 72,808,200 | 17.27% | 48,538,800 | 11.51% |
| Sub-total | 48,538,800 | 17.27% | 72,808,200 | 17.27% | 48,538,800 | 11.51% |
| Directors | | | | | | |
| Ms. Chan (Note 1) | 9,000 | 0.00% | 13,500 | 0.00% | 9,000 | 0.00% |
| Mr. Lam (Note 2) | – | – | – | – | – | – |
| Mr. Mok (Note 3) | – | – | – | – | – | – |
| Sub-total | 9,000 | 0.00% | 13,500 | 0.00% | 9,000 | 0.00% |
| Public Shareholders | | | | | | |
| The Underwriter and/or subscriber(s) procure by it | – | – | – | – | 140,547,956 | 33.33% |
| Other Public Shareholders | 232,548,113 | 82.73% | 348,822,169 | 82.73% | 232,548,113 | 55.16% |
| Sub-total | 232,548,113 | 82.73% | 348,822,169 | 82.73% | 373,096,069 | 88.49% |
| Total | <u>281,095,913</u> | <u>100.00%</u> | <u>421,643,869</u> | <u>100.00%</u> | <u>421,643,869</u> | <u>100.00%</u> |

Scenario 2: assuming the exercise of all the Outstanding Share Options in full on or before the Record Date

| Shareholders | Immediately upon completion of the Rights Issue | | | | | |
|---|---|------------------|--|------------------|---|------------------|
| | (i) As at the date of this announcement | | (ii) Assuming full acceptance by all Qualifying Shareholders and there is no Excluded Shareholders | | (iii) Assuming (a) no acceptance by the Qualifying Shareholders; and (b) all the Untaken Shares are taken up by the Underwriter and its subscribers procured by the Underwriter | |
| | <i>Number of Shares</i> | <i>% Approx.</i> | <i>Number of Shares</i> | <i>% Approx.</i> | <i>Number of Shares</i> | <i>% Approx.</i> |
| Substantial Shareholder | | | | | | |
| Tse Young Lai | 48,538,800 | 17.27% | 72,808,200 | 17.11% | 48,538,800 | 11.41% |
| Sub-total | 48,538,800 | 17.27% | 72,808,200 | 17.11% | 48,538,800 | 11.41% |
| Directors | | | | | | |
| Ms. Chan (<i>Note 1</i>) | 9,000 | 0.00% | 460,305 | 0.11% | 306,870 | 0.07% |
| Mr. Lam (<i>Note 2</i>) | – | – | 446,805 | 0.11% | 297,870 | 0.07% |
| Mr. Mok (<i>Note 3</i>) | – | – | 446,805 | 0.11% | 297,870 | 0.07% |
| Sub-total | 9,000 | 0.00% | 1,353,915 | 0.32% | 902,610 | 0.21% |
| Public Shareholders | | | | | | |
| The Option Holders except Ms. Chan, Mr. Lam and Mr. Mok | – | – | 2,478,277 | 0.58% | 1,652,185 | 0.39% |
| The Underwriter and/or subscriber(s) procure by it | – | – | – | – | 141,820,854 | 33.33% |
| Other Public Shareholders | 232,548,113 | 82.73% | 348,822,170 | 81.99% | 232,548,113 | 54.66% |
| Sub-total | 232,548,113 | 82.73% | 351,300,447 | 82.57% | 376,021,152 | 88.38% |
| Total | <u>281,095,913</u> | <u>100.00%</u> | <u>425,462,562</u> | <u>100.00%</u> | <u>425,462,562</u> | <u>100.00%</u> |

Notes:

- Ms. Chan beneficially owns 9,000 Shares and 297,870 Outstanding Share Options. Ms. Chan is an executive Director of the Company.
- Mr. Lam beneficially owns 297,870 Outstanding Share Options. Mr. Lam is a non-executive Director and the chairman of the Company.
- Mr. Mok beneficially owns 297,870 Outstanding Share Options. Mr. Mok is an executive Director of the Company.

Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscription for the Untaken Shares, the Underwriter shall use its best endeavours to ensure that (1) each of the subscribers of the Untaken Shares procured by the Underwriter shall be an Independent Third Party of and not connected with the Company, any of the Directors or chief executive or substantial shareholders of the Company or their respective associates; (2) the public float requirements under Rule 11.23 of the GEM Listing Rules be fulfilled by the Company upon completion of the Rights Issue; and (3) the Underwriter shall not (together with its respective parties acting in concert or any of its respective connected persons or associates) hold in aggregate 10% or more of the voting rights of the Company immediately after the Rights Issue.

POSSIBLE ADJUSTMENT TO THE OUTSTANDING SHARE OPTIONS

As a result of the Rights Issue, it is expected that the exercise prices, and/or the number of Shares, of the Outstanding Share Options will be adjusted in accordance with the terms and conditions of the Share Option Scheme. The Company will engage the Company's auditors to review and determine the relevant adjustments and make further announcements on the appropriate adjustments and the date they are expected to take effect in due course.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has conducted the following equity fund raising activities during the 12 months immediately preceding the date of this announcement:

| Date of announcement | Event | Net proceeds raised (approximately) | Intended use of proceeds | Actual use of proceeds |
|-----------------------------|---|--|---|---|
| 2 August 2019 | Placing of new Shares under general mandate | HK\$8,800,000 | (i) approximately HK\$3,000,000 towards the liabilities of the Group and approximately HK\$4,100,000 for the Group's general working capital; and | (i) approximately HK\$3,000,000 towards the liabilities of the Group and approximately HK\$4,100,000 for the Group's general working capital; and |

| Date of announcement | Event | Net proceeds raised (approximately) | Intended use of proceeds | Actual use of proceeds |
|-----------------------------|--------------|--|---|---|
| | | | (ii) approximately HK\$1,700,000 for the loan interest and installment. | (ii) approximately HK\$1,700,000 for the loan interest and installment. |

EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below:–

| Event | Time and Date |
|--|---|
| Publication of the Rights Issue announcement | Tuesday, 26 May 2020 |
| Last day of dealing in Shares on a cum-rights basis | Thursday, 18 June 2020 |
| First day of dealing in Shares on an ex-rights basis | Friday, 19 June 2020 |
| Latest time for lodging transfer of Shares in order to be qualified for the Rights Issue | 4:00 p.m. on Monday, 22 June 2020 |
| Closure of register of members of the Company (both days inclusive) | Tuesday, 23 June 2020 – Tuesday, 30 June 2020 |
| Record Date to determine entitlements under the Rights Issue | Tuesday, 30 June 2020 |
| Register of members of the Company re-opens | Thursday, 2 July 2020 |
| Despatch of the Prospectus Documents | Thursday, 2 July 2020 |
| First day of dealings in nil-paid Rights Shares | 9:00 a.m. on Monday, 6 July 2020 |
| Latest time for splitting of PALs | 4:00 p.m. on Wednesday, 8 July 2020 |

| Event | Time and Date |
|---|--|
| Last day of dealings in nil-paid Rights Shares | 4:00 p.m. on Monday, 13 July 2020 |
| Latest time for acceptance of and payment for the Rights Shares and application for and payment for Excess Rights Shares | 4:00 p.m. on Thursday, 16 July 2020 |
| Latest time for terminating the Underwriting Agreement and for the Rights Issue to become unconditional | 4:00 p.m. on Friday, 17 July 2020 |
| Announcement of results of the Rights Issue | Thursday, 23 July 2020 |
| Despatch of certificates for the fully-paid Rights Shares | Friday, 24 July 2020 |
| Despatch of refund cheques, if any, for wholly or partially unsuccessful excess applications or if the Rights Issue is terminated | Friday, 24 July 2020 |
| Dealings in the fully-paid Rights Shares expected to commence | 9:00 a.m. on Monday, 27 July 2020 |

All times and dates stated in this announcement refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND APPLICATION FOR AND PAYMENT FOR EXCESS RIGHTS SHARES

Whenever any part of the expected timetable of the Rights Issue as enlisted in the provisions of the Underwriting Agreement may be interrupted by a typhoon, a black rainstorm warning or Extreme Conditions, the Company shall properly inform the Shareholders of the corresponding contingency arrangements, which contingency arrangements shall include the Latest Time for Acceptance not taking place on the time as scheduled:

- (a) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance be extended to 5:00 p.m. on the same day; or
- (b) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance be extended to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on Thursday, 16 July 2020, the dates mentioned herein may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

GEM LISTING RULES IMPLICATIONS

As the proposed Rights Issue would not increase the number of issued shares of the Company or the market capitalisation of the Company by more than 50% (on its own or when aggregated with any other rights issues or open offers announced by the issuer (i) within the 12 month period immediately preceding the announcement of the proposed rights issue or (ii) prior to such 12 month period where dealing in respect of the shares issued pursuant thereto commenced within such 12 month period, together with any bonus securities, warrants or other convertible securities (assuming full conversion) granted or to be granted to shareholders as part of such rights issues or open offers) and the Rights Issue is not underwritten by a Director, chief executive or substantial shareholder of the Company (or any of their respective close associates), the Rights Issue is not conditional upon approval by the Shareholders.

GENERAL

The Prospectus Documents, containing further information on the Rights Issue will be despatched to the Qualifying Shareholders on Thursday, 2 July 2020. The Prospectus will be despatched to the Excluded Shareholders for information only. Shareholders and potential investors should exercise caution in dealing in the Shares.

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Termination of the Underwriting Agreement” in this announcement). Accordingly, the Rights Issue may or may not proceed.

Any Shareholder or other person dealing in the existing Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the existing Shares and/or the nil-paid Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

DEFINITIONS

Terms used in this announcement have the following meanings unless the context otherwise requires:

| | |
|----------------|--|
| “Board” | the board of Directors |
| “Business Day” | any day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours |

| | |
|------------------------------|--|
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “Companies (WUMP) Ordinance” | the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time) |
| “Company” | Chinese Strategic Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM |
| “Directors” | the directors of the Company |
| “Excess Application Form(s)” | the form(s) of application for Excess Rights Shares in the agreed form for use by such Qualifying Shareholders who wish to apply for any Excess Rights Shares |
| “Excess Rights Shares” | any Rights Shares not accepted by the Qualifying Shareholders on or before the Latest Time for Acceptance, and shall (for avoidance of any doubt) include any Rights Shares created from the aggregation of fractions of the Rights Shares |
| “Excluded Shareholder(s)” | those Overseas Shareholders whose address is/are in such place(s) outside Hong Kong where the Directors, based on legal opinions provided by legal advisors of the Company, consider it being necessary or expedient on account of either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Rights Shares based on the enquiry made pursuant to the terms and conditionals of the Underwriting Agreement |
| “GEM” | the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “Group” | collectively, the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |

| | |
|--------------------------------|---|
| “HKSCC” | Hong Kong Securities Clearing Company Limited |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Third Party(ies)” | any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons within the meaning of the GEM Listing Rules |
| “Last Trading Day” | 26 May 2020, being the last trading day of the Shares on the Stock Exchange prior to the execution of the Underwriting Agreement |
| “Latest Time for Acceptance” | 4:00 p.m. on Thursday, 16 July 2020 or such later time or date as may be agreed between the Parties in writing, being the latest time for acceptance of, and payment for, the Rights Shares and application for and payment for Excess Rights Shares as described in the Prospectus |
| “Latest Time for Termination” | 4:00 p.m. on Friday, 17 July 2020 or such later time or date as may be agreed between the Parties in writing, being the next Business Day after the Latest Time for Acceptance, which shall be the latest time for termination of the Underwriting Agreement |
| “Listing Committee” | has the meaning as defined in the GEM Listing Rules |
| “Mr. Lam” | Lam Kwok Hing Wilfred, <i>J.P.</i> , a non-executive Director and the chairman of the Company |
| “Mr. Mok” | Mok Tsan San, an executive Director of the Company |
| “Ms. Chan” | Chan Shui Sheung Ivy, an executive Director of the Company |
| “Options Holder(s)” | holders of the Outstanding Share Options |
| “Outstanding Share Option(s)” | as at the date of this announcement, 2,545,795 outstanding share options granted under the Share Option Scheme |

| | |
|---------------------------|---|
| “Overseas Shareholder(s)” | such Shareholder(s) whose registered address(es) (as shown in the register of members of the Company on the Record Date) is/are situated outside Hong Kong |
| “PAL(s)” | the provisional allotment letter(s) in respect of the Rights Issue to be issued to the Qualifying Shareholders |
| “Prospectus” | the prospectus to be despatched to Shareholders in connection with the Rights Issue in such form as may be agreed between the Parties |
| “Prospectus Documents” | the Prospectus, the PAL and the Excess Application Form to be used by the Qualifying Shareholders to apply for the Rights Shares |
| “Prospectus Posting Date” | Thursday, 2 July 2020 or such other date as may be agreed between the Parties in writing, being the date for the despatch of the Prospectus Documents (in case of Excluded Shareholder(s), Prospectus only) |
| “Qualifying Shareholders” | the Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Excluded Shareholders |
| “Record Date” | Tuesday, 30 June 2020 or such other date as may be agreed between the Parties in writing, being the date for the determination of the entitlements under the Rights Issue |
| “Registrar” | the branch share registrar and transfer of the Company in Hong Kong, being Union Registrars Limited of Suite 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong |
| “Rights Issue” | the proposed issue of the Rights Shares for subscription by the Qualifying Shareholders on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date at the Subscription Price payable in full on application and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents |

| | |
|--------------------------|---|
| “Rights Share(s)” | not less than 140,547,956 Rights Shares (assuming no Outstanding Share Options are exercised on or before the Record Date) and not more than 141,820,854 Rights Shares (assuming all Outstanding Share Options are exercised in full on or before the Record Date) to be allotted and issued pursuant to the Rights Issue |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “Share(s)” | issued ordinary share(s) in the Company |
| “Share Option Scheme” | the share option scheme adopted by the Company on 2 April 2014 |
| “Shareholder(s)” | holder(s) of the Share(s) from time to time |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Price” | HK\$0.08 per Rights Share |
| “Takeovers Code” | The Code on Takeovers and Mergers and Share Buy-backs issued by the SFC |
| “Underwriter” | Rifa Securities Limited, a licensed corporation carrying out type 1 (dealing in securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities |
| “Underwriting Agreement” | the underwriting agreement dated 26 May 2020 entered into between the Company and the Underwriter and as revised, supplemented and/or amended from time to time |
| “Underwritten Shares” | Up to 141,820,854 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement |

“Untaken Share(s)” those (if any) of the Rights Shares in respect of which valid applications under the PALs and Excess Application Forms have not been received on or before the Latest Time for Acceptance

“%” per cent.

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

Hong Kong, 26 May 2020

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

This announcement, for which the directors 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 for at least 7 days and on the Company website at www.chinesestrategic.com from the date of its publication.