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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)

UPDATE ON LISTING STATUS

This announcement is made by Chinese Strategic Holdings Limited (the “Company”) pursuant to Rule 17.26A of the GEM Listing Rules

Reference is made to (i) the announcements of the Company dated 30 March 2021 in relation to, inter alia, the decision of the Stock Exchange to suspend trading in the Shares under Rule 17.49(A) of the GEM Listing Rules; Unless otherwise defined, capitalized terms used in this announcement shall have the same meaning as those defined in the Announcements.

The Board wishes to inform the shareholders and potential investors of the Company that the review hearing of the GEM Listing Committee Decision by the GEM Listing Committee took place on 29 June 2021. On 12 July 2020, the Company received a letter from the GEM Listing Committee that they had decided to uphold the LD's Decision to suspend trading in the Company's shares under GEM Rule 9.04(3). The Committee was of the view that the Company had failed to carry out a business with a sufficient level of operations and assets of sufficient value to support its operations under GEM Rule 17.26 to warrant the continued listing of its shares. According to the said letter, the GEM Listing Committee arrived the decision for, amongst others, the following reasons:

A. Scale of operations

1. The Company's scale of operations has been at a low level for years. All the businesses are either small in scale or ceased operations. The Company's revenue was minimal and not sufficient to cover its corporate expenses, resulting in net loss and operating cash outflow (save for 2016) for each of the past five financial years and the first half of 2020. The situation does not appear to be a temporary downturn or decline. The Company sought to rely on certain new business plans, its recently commenced agency services, and its profit forecast to meet GEM Rule 17.26. However, such plans and activities are at a preliminary stage, and the profit forecast is not supported by signed contracts or confirmed orders. It remains uncertain whether the Company's scale and performance can be substantially improved.

2. The revenue from this segment was minimal and continued to decline. It only has a small property portfolio. The Company has no intention to expand its property portfolio, and plans to sell two vacant properties located in Hong Kong Island (with fair value of around HK\$100 million as at 31 December 2019) (the "Vacant Properties") in the second quarter of 2021. The rental income for 2021 is forecasted to be minimal.
3. Changsha Seg is only a joint venture of the Company. Changsha Seg's results and the Company's share of its results are not relevant to the assessment of the Company's compliance with GEM Rule 17.26. The Company submitted its intention to increase its shareholding and participation in Changsha Seg so as to consolidate Changsha Seg and demonstrate its compliance with GEM Rule 17.26. It also submitted that Changsha Seg has been planning for renovation. However, these plans are still in their infancy without any agreement being reached between the parties. It is unclear whether these plans will eventually materialize.

Loan Financing

4. The scale of this segment remains small. It has a highly concentrated loan portfolio, and has been loss-making or generating minimal segment profit since 2017. The Company plans to grant mortgage loans in future. However, such plan is generic without concrete details, and in any case, the segment revenue for 2021 is forecasted to be minimal.

Tea Leaves Trading

5. This is a new segment since 2017 only. This segment involves only the Company sourcing products from suppliers for sale to a few customers on a back-to-back basis, with limited value added services being provided. Such business has low entry barriers with a thin profit margin of around 4.8%. It has a small customer base. Although it recorded revenue of HK\$20.5 million in 2018, its revenue diminished to HK\$2 million in 2019 and nil in the first three quarters of 2020. It has recorded segment loss, or minimal segment profit since its commencement. These give rise to the Committee's concern on the business substance and the viability and sustainability.
6. The Company argued that the unsatisfactory performance in 2019 and 2020 was a temporary downturn due to the local political and social event in 2019 and the outbreak of COVID-19 in 2020. However, in the absence of a proven track record, the Company has not demonstrated that but for these events, there could have been a material development in its scale and performance. Moreover, the Company itself forecasted a minimal revenue for this segment in 2021.
7. The Company plans to launch an online sales platform and diversify its product portfolio. The Company also claimed that the business of China Tea Overseas could accelerate the restoration of its tea leaves trading. However, such plans are preliminary and lack concrete details. It is unclear whether the Company would be able to expand its customer base or secure new or recurring orders that substantially improve the business scale and performance.
8. Further, China Tea Overseas is a joint venture in which the Company only has a minority

interest. China Tea Overseas' results and the Company's share of its results are not relevant to the assessment of the Company's compliance with GEM Rule 17.26.

Agency Services

9. The Company only commenced the provision of agency services to the Biotech Company for the COVID-19 Rapid Antigen Test in December 2020. It is unrelated to the Company's existing businesses, and the Company's current executive directors and non-executive director have no relevant experience. The agency agreement entered into with the Biotech Company covers a period of one year only. However, the Company forecasted substantial revenue for both 2021 and 2022 without stating whether the forecast is supported by any signed contracts or confirmed orders. Without a track record of performance, a credible projection of revenue and profit or other supportive information, this new business is not demonstrated to be viable and sustainable

Other businesses

10. The Company has ceased its Advisory business activities, and will minimise its securities trading activities. Further, under GEM Rule 17.26(2), securities trading should be excluded when considering the Company's compliance with GEM Rule 17.26(1).

Profit Forecast

11. Based on the Company's profit forecast, the Company expects agency services to be its key revenue driver contributing HK\$105 million or 84% of total revenue in 2021. However, such revenue forecast is not prepared on the basis of substantiated evidence in light of the Committee's concerns set out in paragraph 13.
12. Even if the forecasted revenue can be achieved, it will only have a minimal profit of HK\$5.3 million. Such estimation has included the Company's share of results of joint ventures of HK\$15.8 million in 2021, which are subject to the successful implementation of a renovation plan and/or the achievement of certain forecasted results which are yet to be substantiated. Without such profit sharing, the Company's own business operations would continue to be loss-making. The Committee remain concerned on the viability and sustainability of the Company's businesses.

B. Level of assets

13. As at 30 June 2020, the Group's total assets were about HK\$368.8 million, which mainly consisted of interests in joint ventures of HK\$153.3 million, investment properties of HK\$130.8 million, loan and interest receivables of HK\$41.1 million and trade and other receivables of HK\$20.4 million. The level of assets will be further reduced upon completion of the planned sale of the Vacant Properties. Further, the Company's auditors expressed a disclaimer of opinion on the Company's 2018 and 2019 financial statements relating to, among others, uncertainties on going concern. The Committee are concerned that the operations of these assets may not enable the Company to carry out businesses with sufficient level of operations to justify its continued listing.

The Board is still in the process of reviewing the GEM Listing Committee Decision and is discussing the same with the Company's legal advisers and financial adviser and will actively prepare for the proposal(s) to re-comply with Rule 17.26 of the GEM Listing Rules.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021 and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

By Order of the Board
**Chinese Strategic
Holdings Limited Mok
Tsan San**
Executive Director

Hong Kong, 16 July 2021

As at the date hereof, the executive Directors are Ms. Chan Shui Sheung Ivy and Mr. Mok Tsan San; and the independent non-executive Directors are Mr. Chow Fu Kit Edward and Mr. Lam Raymond Shiu Cheung.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Listed Company Information" page of the GEM website at www.hkgem.com for at least 7 days and on the Company website at www.chinesestrategic.com from the date of its publicatio