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CHINA STRATEGIC HOLDINGS LIMITED

(中策集團有限公司)

(incorporated in Hong Kong with limited liability)

(Stock Code: 235)

(A) PLACING OF NEW SHARES UNDER GENERAL MANDATE
(B) PROPOSED PLACING OF NEW SHARES UNDER
SPECIAL MANDATE
(C) PROPOSED PLACING OF THE CONVERTIBLE NOTES DUE 2010
AND
(D) RESUMPTION OF TRADING

Placing agent



KINGSTON SECURITIES LIMITED

SHARE PLACING

The First Share Placing and the Second Share Placing

On 23 August 2007, the Company entered into the First Share Placing Agreement and the Second Share Placing Agreement with the Placing Agent. Pursuant to the First Share Placing Agreement, the Company has conditionally agreed to place, through the Placing Agent, 88,000,000 Placing Shares on a fully underwritten basis. Pursuant to the Second Share Placing Agreement, the Company has conditionally agreed to place, through the Placing Agent, 1,500,000,000 Placing Shares on a best effort basis. The Placing Price for both of the First Placing Shares and the Second Placing Shares shall be HK\$0.33 per Share.

The First Placing Shares will be allotted and issued under the Existing General Mandate granted at the AGM of the Company. As at the date of this announcement, no Share has been issued pursuant to the Existing General Mandate. The First Share Placing is conditional upon the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in all of the First Placing Shares whereas the Second Share Placing is conditional upon, inter alia, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in all of the Second Placing Shares and the approval by the Shareholders on the Second Share Placing Agreement and the transactions contemplated thereunder, including the issue of the Second Placing Shares at the EGM.

CN PLACING

On 23 August 2007, the Company further entered into the CN Placing Agreement with the Placing Agent. Pursuant to the CN Placing Agreement, the Placing Agent has conditionally agreed to place, on a best effort basis, the Convertible Notes to not less than six CN Places.

The Convertible Notes will carry a right to convert into new Shares at the conversion price of, subject to adjustment, HK\$0.33 per Conversion Share from the date of issue of the Convertible Notes up to 31 December 2008, HK\$0.36 per Conversion Share from 1 January 2009 to 31 December 2009, and HK\$0.39 per Conversion Share from 1 January 2010 to the Maturity Date.

No application will be made for listing of the Convertible Notes. The CN Placing is conditional upon (i) the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the relevant Conversion Shares and (ii) the granting of approval by the Shareholders on the CN Placing Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares) at the EGM.

At this stage, the Company is unable to determine whether it may be considered to be a cash company under Rule 14.82 of the Listing Rules upon completion of the Second Share Placing and CN Placing. If, but only if, the Company is unable to meet the requirement of Rule 14.82 of the Listing Rules, the Company will not be regarded as suitable for listing. The Company is in the process of actively identifying investment opportunities and will apply the proceeds from the Second Share Placing and CN Placing into such investment opportunities where they are suitable. The Company indicates that it will take appropriate actions, such as speed-up the identifying and fixing of suitable investment opportunities, to ensure full compliance with the relevant requirements under the Listing Rules, including

but not limited to Rule 14.82 of the Listing Rules. In the event the Company notices that the Group's assets comprise wholly or substantially of cash, the Company will issue an announcement and request for suspension of dealings in the Shares as soon as practicable. **In view of the possible implication under Rule 14.82 of the Listing Rules on the Company, Shareholders and investors should exercise caution when dealing in the Shares.**

Completion of the Share Placing and full conversion of the Convertible Notes will result in a massive dilution of the shareholding of the existing shareholders. Upon completion of the Share Placing and full conversion of the Convertible Notes at HK\$0.33 per Share, the shareholding of the existing public shareholders will be decreased from 71.46% to 5.23%.

GENERAL

Shareholders and potential investors should note that the Share Placing and the CN Placing are subject to conditions to be fulfilled. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

The First Share Placing, the Second Share Placing and the CN Placing are not inter-conditional upon each other.

The Share Placing and the CN Placing are subject to their respective termination on the occurrence of, among other things, any event of force majeure (which include events set out in greater detail below respectively) at or before 10:00 a.m. on the completion date of the relevant Share Placing and the CN Placing respectively.

A circular containing, among other things, further details of the Second Share Placing and the CN Placing and a notice convening the EGM will be dispatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

Trading in the Shares was suspended at the request of the Company with effect from 10:00 a.m. on 23 August 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the trading in the Shares to resume from 9:30 a.m. on 31 August 2007 following the publication of this announcement.

SHARE PLACING

First Share Placing Agreement

Date

23 August 2007

Parties

The Company and the Placing Agent

Placing Agent

The Placing Agent has conditionally agreed with the Company to place 88,000,000 new Shares on a fully underwritten basis.

The Placing Agent will receive a placing commission of 2.5% of the aggregate amount equal to the Placing Price multiplied by the number of the First Placing Shares underwritten by the Placing Agent. The First Share Placing Agreement was arrived at after arm's length negotiations between the Company and the Placing Agent.

Each of the Placing Agent and its ultimate beneficial owners is an Independent Third Party.

Share Placees

Not less than six independent Share Placees (which will be independent individual, corporate and/or institutional investors) for the First Placing Shares, who and whose ultimate beneficial owners (i) will not be connected persons of the Company; and (ii) will be Independent Third Parties. As at the date of this announcement, the Directors are unable to determine whether any Share Placee will become a substantial shareholder of the Company as a result of completion of the First Share Placing Agreement.

Placing Price

The Placing Price of HK\$0.33 represents (i) a discount of about 13.16% to the closing price of HK\$0.38 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of about 11.53% to the average of the closing price per Share of about HK\$0.373 as quoted on the Stock Exchange for the last five trading

days up to and including the Last Trading Day; and (iii) a discount of about 20.77% to the average of the closing price per Share of about HK\$0.4165 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent with reference to the recent market prices, the performance of the Shares and the current market conditions. The Board considers that the terms of the Share Placing and the Share Placing Agreement (including but not limited to the placing commission) are fair and reasonable, on normal commercial terms, and are in the interests of the Company and its Shareholders as a whole.

After deduction the commission and expenses arising from the First Share Placing, the net Placing Price per First Placing Share shall be approximately HK\$0.321. The net proceeds raised upon completion of the First Share Placing will be about HK\$28 million.

First Placing Shares

Pursuant to the First Share Placing Agreement, 88,000,000 new Shares will be placed by the Placing Agent on a fully underwritten basis, representing approximately 19.96% of the Company's existing issued share capital as at the date of this announcement and about 16.64% of its issued share capital as enlarged by the completion of the First Share Placing.

The First Placing Shares will be allotted and issued under the Existing General Mandate granted by the Shareholders at the AGM. As at the date of this announcement, no Share has been issued under the Existing General Mandate.

The First Placing Shares will, when fully paid, be allotted and issued in accordance with the memorandum and articles of association of the Company and with the relevant rules and regulations applicable to the Company in Hong Kong and will, at completion of the First Share Placing, be free from all liens, charges, encumbrances or third party rights of whatsoever nature and together with all rights attaching thereto at completion of the First Share Placing and thereafter.

Conditions Precedent

Completion of the First Share Placing is conditional upon the Listing Committee of The Stock Exchange granting or agreeing to grant the listing of, and permission to deal in all of the First Placing Shares.

The First Share Placing, the Second Share Placing and the CN Placing are not inter-conditional upon each other.

Representation and Warranties

Under the First Share Placing Agreement, the Company has given certain representations and warranties on, inter alia, the authority to enter into the First Share Placing Agreement and the ranking of the First Placing Shares upon allotment. In particular, the Company has warranted in the First Placing Agreement, inter alia, that it shall provide the Placing Agent with all such information relating to the Company, any companies controlled by the Company and the Group as the Placing Agent would reasonably require for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group or otherwise and all material facts and information which might reasonably be expected to be relevant in enabling the Placing Agent to fulfil its responsibilities in carrying out the terms of the First Placing Agreement. The Company will provide published financial information to the Placing Agent. In addition, the Company shall accept full responsibility for the accuracy of all information and facts given by it to the Placing Agent in relation to the First Placing and warrant that no other material information or material facts have been or will be withheld, the omission of which will make the information or facts given to the Placing Agent incorrect or misleading in any material respect, and to notify the Placing Agent should such omission or inaccuracy first come to the attention of the Company.

Termination and force majeure of the First Share Placing

- (I) The Placing Agent reserves its right to terminate the First Share Placing by notice in writing prior to 10:00 a.m. on the date of completion of the First Placing, if in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events which include :
- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; 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 of the First Share Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or

armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the First Share Placing by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the First Share Placing; or

- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the First Share Placing (such success being the placing of the First Placing Shares to potential investor(s)) or otherwise in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the First Share Placing.

(II) If, at or prior to 10:00 a.m. on the completion date of the First Share Placing :

- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the First Share Placing Agreement; or
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearance of the announcement relating to the First Share Placing Agreement or circulars relating to the First Share Placing; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the First Share Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the First Share Placing.

The Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the First Share Placing Agreement.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent under the First Share Placing Agreement shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the First Share Placing Agreement, save for any antecedent breaches.

Completion of the First Share Placing

Completion of the First Share Placing will take place within four business days after the fulfilment of the condition as set out in the First Share Placing Agreement but in any event no later than 28 September 2007 or such other date to be agreed between the Company and the Placing Agent.

Listing

Application will be made to the Stock Exchange to grant the listing of, and permission to deal in, the First Placing Shares.

Second Share Placing Agreement

Date

23 August 2007

Parties

The Company and the Placing Agent

Placing Agent

The Placing Agent has conditionally agreed with the Company to place up to a maximum of 1,500,000,000 new Shares on a best effort basis.

The Placing Agent will receive a placing commission of 2.5% of the aggregate amount equal to the Placing Price multiplied by the number of the Second Placing Shares successfully placed by the Placing Agent. The Second Share Placing Agreement was arrived at after arm's length negotiations between the Company and the Placing Agent.

Each of the Placing Agent and its ultimate beneficial owners is an Independent Third Party.

Share Placees

Not less than six independent Share Placees (which will be independent individual, corporate and/or institutional investors) for the Second Placing Shares, who and whose ultimate beneficial owners (i) will not be connected persons of the Company; and (ii) will be Independent Third Parties. As at the date of this announcement, the Directors are unable to determine whether any Share Placee will become a substantial shareholder of the Company as a result of completion of the Second Share Placing Agreement.

Placing Price

The Placing Price of HK\$0.33 represents (i) a discount of about 13.16% to the closing price of HK\$0.38 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of about 11.53% to the average of the closing price per Share of about HK\$0.373 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of about 20.77% to the average of the closing price per Share of about HK\$0.4165 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

After deduction the commission and expenses arising from the Second Share Placing, the net Placing Price per Second Placing Share shall be approximately HK\$0.321. The aggregate net proceeds raised upon the completion of the Second Share Placing will be about HK\$482 million.

Second Placing Shares

Pursuant to the Share Placing Agreement, 1,500,000,000 new Shares will be placed by the Placing Agent on a best effort basis, representing approximately 340.29% of the Company's existing issued share capital of the Company as at the date of this announcement and about 283.66% of its issued share capital as enlarged by the completion of the First Share Placing and about 73.93% of its issued share capital as enlarged by the completion of First Share Placing and the Second Share Placing.

The Second Placing Shares will be allotted and issued under the special mandate proposed to be passed at the EGM. The Second Placing Shares will, when fully paid, be allotted and issued in accordance with the memorandum and articles of association of the Company and with the relevant rules and regulations applicable to the Company in Hong Kong and will, upon allotment and issue, be free from all liens, charges, encumbrances or third party rights of whatsoever nature and together with all rights attaching thereto at completion of the relevant tranche of the Second Share Placing and thereafter.

Conditions Precedent

The Second Share Placing will be subject to the following conditions:

- the Listing Committee granting the listing of, and permission to deal, in the Second Placing Shares under the relevant tranches of the Second Share Placing (subject to conditions to which neither the Placing Agent nor the Company may reasonably object); and
- the passing of the resolution by Shareholders approving the Second Share Placing Agreement and the transactions contemplated thereunder, including the allotment and issue of the Second Placing Shares at the EGM.

If the foregoing conditions are not fulfilled on or prior to the Long Stop Date (or such later date as may be agreed between the Company and the Placing Agent), the Placing Agreement shall terminate and none of the parties thereto shall have any claim against the other for any costs or losses (save for any prior breaches of the second Share Placing Agreement).

The First Share Placing, the Second Share Placing and the CN Placing are not inter-conditional upon each other.

Representation and Warranties

The Company has given the same representations and warranties to the Placing Agent as those set out in the First Placing Agreement.

Termination and force majeure of the Second Share Placing

The Second Share Placing is subject to the same termination and force majeure events of the First Share Placing and the Placing Agent reserves its right to terminate the Second Share Placing by notice in writing prior to 10:00 a.m. on the date of completion of the Second Share Placing upon the occurrence of the events as set out in sub-paragraphs headed (I) and (II) under the paragraph headed “Termination and force majeure of the First Share Placing” under the sub-section headed “First Share Placing” under the section headed “Share Placing” of this announcement.

Upon giving of notice by the Placing Agent, all obligations of the Placing Agent under the Second Share Placing Agreement shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Second Share Placing Agreement, save for any antecedent breaches and provided that such termination shall not affect any partial completion of the Second Share Placing that have taken place prior to such date of termination.

Completion of the Second Share Placing

Completion of the Second Share Placing will take place within four business day after the fulfilment of the condition as set out in the Second Share Placing Agreement or such other date to be agreed between the Company and the Placing Agent. The Company and the Placing Agent have agreed in a supplemental agreement to the Second Placing Agreement that each completion of the Second Share Placing is subject to compliance of public float requirement under the Listing Rules. The Company will not issue Second Placing Shares if such issue shall result in insufficient public float.

The Second Share Placing can be completed partially by a maximum of 10 tranches provided that the aggregate number of the Second Placing Shares for each partial completion shall not be less than 150,000,000 Shares (save for the last tranche of the Second Share Placing where the number of the Second Placing Shares to be issued may be less than 150,000,000, as the case may be). Accordingly, the issue of the Second Placing Shares by tranches will provide flexibility to receive the maximum placing of the Second Placing Shares by the Placing Agent. The Company will issue an announcement upon each partial completion of the Second Share Placing. The Company will make a maximum of 10 listing applications to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the relevant Second Placing Shares once the Placing Agent confirms to the Company that the number of Second Placing Shares to be subscribed by the Share Placees procured by the Placing Agent has reached 150,000,000 Shares and that partial completion of the Second Share Placing can take place. Placing of the Second Placing Shares in tranches shall give flexibility to the Company in raising funds and the Company may receive funds in a quicker manner as partial completion can take place once the number of Second Placing Shares placed by the Placing Agent has reached 150,000,000 Shares. Accordingly, the Board considers that placing of Second Placing Shares in tranches is fair and reasonable to the Company and its Shareholders as a whole.

Listing

Application will be made to the Stock Exchange to grant the listing of, and permission to deal in, the relevant Second Placing Shares.

CN PLACING

Date of CN Placing Agreement

23 August 2007

Parties

The Company and the Placing Agent

Placing Agent

The Placing Agent has conditionally agreed with the Company to place, on a best effort basis, the Convertible Notes which are proposed to be issued in a maximum aggregate principal amount of HK\$1,320,000,000. The Placing Agent will receive a placing commission of 2.5% of the amount equal to the aggregate principal amount of the Convertible Notes subscribed or procured to be subscribed by the Placing Agent, which was arrived at after arm's length negotiations between the Company and the Placing Agent.

The Board is of the view that the terms of the CN Placing and the CN Placing Agreement (including but not limited to the placing commission) are fair and reasonable, on normal commercial terms and in the interest of the Company and its shareholders as a whole.

Placees

The Placing Agent will place the Convertible Notes to not less than six independent CN Placees (which will be independent individual, corporate and/or institutional investors), each of whom or its ultimate beneficial owner (i) will not be a connected person of the Company; and (ii) will be Independent Third Party. As at the date of this announcement, the Directors are unable to determine whether any CN Placee will become a substantial shareholder of the Company as a result of completion of the CN Placing Agreement.

Conditions of the CN Placing

The CN Placing is conditional upon:-

- (a) the Stock Exchange granting or agreeing to grant the listing of and permission to deal in the relevant Conversion Shares under the relevant tranche of the CN Placing; and
- (b) the granting of approval by the Shareholders on the CN Placing Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares) at the EGM.

If the conditions are not fulfilled on or before the Long Stop Date (or such later date as may be agreed between the Company and the Placing Agent), the CN Placing Agreement shall terminate and neither the Company nor the Placing Agent shall have any claim against the other for any costs or losses (save for any prior breaches of the CN Placing Agreement).

Representation and Warranties

Under the CN Placing Agreement, the Company has given certain representations and warranties on, inter alia, the authority to enter into the CN Placing Agreement, the business, the legal and financial position of the Group and the ranking of the Conversion Shares upon allotment. In particular, the Company has warranted in the CN Placing Agreement, inter alia, that save as previously disclosed by the Company to the public in writing, (i) during the preceding 12 months, there is no litigation, arbitration or other legal proceedings in progress or pending against any member of the Group which if decided adversely to the relevant member of the Group would have or have had during the 12 months preceding the date of the CN Placing Agreement a material adverse effect on the financial position of the Group (taken as a whole) or the Company and which is material in the context of the Placing; and (ii) there has been no material adverse change in the condition, financial or otherwise, or the earnings, business affairs or business prospects (whether or not arising in the ordinary course of business) of any member of the Group since 31 December 2006, the latest audited accounts date and no event has occurred which in the reasonable opinion of the Company may give rise to a material adverse change in such position in the foreseeable future.

Termination and force majeure for the CN Placing

The CN Placing Agreement may be terminated by the Placing Agent, if, at any time prior to 10:00 a.m. on the relevant date of completion of the CN Placing Agreement, in the reasonable opinion of the Placing Agent, the success of the CN Placing or the business or financial prospects of the Group would or might be adversely affected by:

- (a) any material breach of any of the representations and warranties set out in the CN Placing Agreement; or
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearing of the announcement relating to the CN Placing Agreement or circulars relating to the placing of the Convertible Notes and in the ancillary agreements thereto; or

(c) any of the following events:

- (i) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (ii) 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, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which would, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the placing of the Convertible Notes by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the placing of Convertible Notes; or
- (iii) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) which would materially and adversely affect the success of the placing of the Convertible Notes (such success being the placing of the Convertible Notes to potential investor(s)) or otherwise in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the placing of the Convertible Notes

then and in any such case, the Placing Agent may terminate the CN Placing Agreement without liability to the Company by giving notice in writing to the Company, provided that such notice is received prior to 10:00 a.m. on the relevant completion date of the Convertible Notes and provided further that such termination shall not affect any partial completion of the Convertible Notes that have taken place prior to such date of termination.

Completion of the CN Placing

Completion of the CN Placing Agreement shall take place within four business days following the date on which the conditions of the CN Placing Agreement are fulfilled or in such other date as the Company and the Placing Agent shall agree.

The CN Placing can be completed partially. Given that the CN Placing will be conducted on a best effort basis by the Placing Agent, it is uncertain as to whether the full aggregate principal amount of the Convertible Notes in the sum of HK\$1,320,000,000 will be placed to the CN Placees. Accordingly, the issue of the Convertible Notes by tranches will provide flexibility to receive the maximum placing of the Convertible Notes by the Placing Agent. Save for the last tranche of the Convertible Notes, the aggregate principal amount of the Convertible Notes to be issued by the Company for each partial completion shall not be less than HK\$100,000,000. In light of the proposed issue of the Convertible Notes in a maximum aggregate principal amount of HK\$1,320,000,000, the CN Placing can be completed partially by a maximum of 14 tranches. The Company will issue an announcement upon each partial completion of the CN Placing. The Company will make a maximum of 14 listing applications to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the relevant Conversion Shares once the Placing Agent confirms to the Company that the aggregate principal amount of the Convertible Notes to be subscribed by the CN Placees procured by the Placing Agent has reached HK\$100,000,000 and that partial completion of the CN Placing can take place. Placing of the Convertible Notes in tranches shall give flexibility to the Company in raising funds and the Company may receive funds in a quicker manner as partial completion can take place once the amount of Convertible Notes placed by the Placing Agent has reached HK\$100,000,000. Accordingly, the Board considers that placing of Convertible Notes in tranches is fair and reasonable to the Company and its Shareholders as a whole.

The Convertible Notes

The terms of the Convertible Notes have been negotiated on arm's length basis and the principal terms of which are summarized below:

Principal amount

A maximum aggregate of HK\$1,320,000,000.

Interest

The Convertible Notes will be non-interest bearing.

Maturity

31 December 2010.

Denomination

HK\$5,000,000 each

Conversion price

The conversion price, subject to the adjustment, shall be HK\$0.33 per Conversion Share from the date of issue of the Convertible Notes up to 31 December 2008, HK\$0.36 per Conversion Share from 1 January 2009 to 31 December 2009, and HK\$0.39 per Conversion Share from 1 January 2010 to the Maturity Date. The initial conversion price of the Convertible Notes was arrived at after arm's length negotiations between the Company and the Placing Agent and with reference to the market price of the Shares and the audited net asset value of the Company as at 31 December 2006 and the Company and the Placing Agent have taken into account the improving business and investment environment in determining the conversion price for each year to which the Board considers that is fair and reasonable. The conversion prices of the Convertible Notes may be adjusted upon occurrence of adjustment events, which include consolidation or sub-division of Shares, capitalisation of profits or reserves, capital distributions in cash or specie, rights issues or subsequent issue of securities in the Company, and will in any event not adjusted below the par value of the Share. In addition, every adjustment to the conversion price shall be certified (at the option of the Company) either by the auditors of the Company for the time being or by an approved merchant bank.

The initial conversion price of HK\$0.33 per Share represents (i) a discount of approximately 13.16% to the closing price of HK\$0.38 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 11.53% to the average of the closing price per Share of approximately HK\$0.373 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of approximately 20.77% to the average of the closing price per Share of HK\$0.4165 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

Conversion

Each holder may convert the whole or part of the principal amount of the relevant Convertible Notes (in multiple of HK\$5,000,000 at any one time of conversion) into new Shares unless the principal amount of the outstanding Convertible Notes are less than HK\$5,000,000 in which case the whole (but not part only) of such outstanding principal amount of the Convertible Notes shall be converted. Conversion of the Convertible Notes is subject to the compliance with the public float requirements under the Listing Rules. The Company will not issue any Shares upon conversion of the Convertible Notes if such issue shall result in insufficient public float.

Assuming there is an immediate exercise in full of the conversion rights attaching to the Convertible Notes in the aggregate of HK\$1,320,000,000 at the conversion price of HK\$0.33 per Share by all holders of the Convertible Notes, the Company will issue an aggregate of 4,000,000,000 new Shares, representing approximately 907.45% of the existing issued share capital of the Company and approximately 90.07% of the enlarged issued share capital of the Company as enlarged by the issue of the Conversion Shares.

Ranking

The Conversion Shares will rank pari passu in all respects with all existing Shares in issue at the date of the conversion notice.

Redemption by the Company

The Company shall, at any time before the Maturity Date, have the option to redeem the Convertible Notes in whole or in part. The amount payable for any redemption shall be the relevant amount of the principal amount of the Convertible Notes so redeemed.

Status of the Convertible Notes

The Convertible Notes constitute a direct, general, unconditional and unsecured obligation of the Company and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes and certain other mandatory provisions of applicable law exceptions) equally with all other present and/or future unsecured and unsubordinated obligations of the Company. The holders of the Convertible Notes shall not be entitled to receive dividend of the Company.

Transferability

The Convertible Notes may not be assigned or transferred to a connected person of the Company. The Company will notify the Stock Exchange should it become aware of the Convertible Notes have been assigned or transferred to a connected person of the Company.

Voting Rights

The Convertible Notes do not confer any voting rights at any meetings of the Company.

Listing

No application will be made for the listing of the Convertible Notes. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares in the manner as set out above.

Approval of the Shareholders at the EGM

The Company will seek approval by the Shareholders on the CN Placing Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares) at the EGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting at the EGM.

REASONS FOR AND BENEFIT OF THE SHARE PLACING AND THE CN PLACING AND USE OF PROCEEDS

The Board considers that the Share Placing and the CN Placing are conducted in the best interest of the Company in view of the prevailing market conditions and that the recent market sentiment represents a good timing for the Share Placing and CN Placing. The Board has also considered to raise fund by rights issue or open offer or debt financing or financing by other means, however, the time required for rights issue or open offer will be longer than that required for Share Placing and CN Placing and there will be interest payable for the debt financing or financing by other means, after considering the abovementioned factors, the Board concluded that the Share Placing and CN Placing are better methods and are preferred than other means to raise additional capital notwithstanding that the completion of the Share Placing and the full conversion of the Convertible Notes will result in a massive dilution of the shareholding of the existing shareholders. In addition, the Share Placing and the CN Placing give the opportunity to the Company to broaden its shareholder and capital

base and provide funding to the Company to capture suitable investment opportunities when they are identified. Although completion of the Share Placing and CN Placing will result in a massive dilution of shareholding of the existing Shareholders, the Board considers that the Share Placing and CN Placing are fair and reasonable to the Shareholders and the Company as a whole on the basis that the Share Placing and the CN Placing represent an opportunity to raise capital for the Company to enhance the general working capital base and to explore potential business and take up investment opportunities in the future with readily available funds as and when appropriate although no specific projects have been identified.

Completion of the Share Placing and full conversion of the Convertible Notes will result in a massive dilution of the shareholding of the existing shareholders. Upon completion of the Share Placing and full conversion of the Convertible Notes at HK\$0.33 per Share, the shareholding of the existing public shareholders will be decreased from 71.46% to 5.23%.

The gross proceeds from the First Share Placing will be about HK\$29,040,000 and the net proceeds from the First Share Placing will be about HK\$28 million which will be used as general capital of the Company. The gross proceeds from the Second Share Placing and the CN Placing will be about HK\$1,815 million. The net proceeds from the Second Share Placing and the CN Placing will be about HK\$1,768.8 million. The Company has been exploring potential investment and business opportunities and the net proceeds arising from the Second Share Placing and the CN Placing will be used for such potential investment or business opportunities once they are identified.

EFFECT ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the First Share Placing, the Second Share Placing, the full conversion of the Convertible Notes are set out as below:

Scenario 1 (Assuming (i) completion of the First Share Placing, and (ii) completion of First Share Placing and full conversion of the Convertible Notes in the aggregate principal amount of HK\$1,320,000,000 from the date of issue of the Convertible Notes to 31 December 2008 at the conversion price of HK\$0.33 per share)

	Existing shareholdings		Assuming completion of the First Share Placing		Assuming completion of the First Share Placing and full conversion of the Convertible Notes at the conversion price of HK\$0.33 per Share	
	<i>No. of Shares</i>	<i>% (approximately)</i>	<i>No. of Shares</i>	<i>% (approximately)</i>	<i>No. of Shares</i>	<i>% (approximately)</i>
1. Nation Field Limited (<i>Note 1</i>)	125,782,321	28.54%	125,782,321	23.79%	125,782,321	2.78%
Public Shareholding:						
2. Public Shareholders	315,015,222	71.46%	315,015,222	59.57%	315,015,222	6.96%
3. First Share Places	—	—	88,000,000	16.64%	88,000,000	1.94%
4. CN Places	—	—	—	—	<u>4,000,000,000</u>	<u>88.32%</u>
Total	<u>440,797,543</u>	<u>100.00%</u>	<u>528,797,543</u>	<u>100.00%</u>	<u>4,528,797,543</u>	<u>100.00%</u>

Scenario 2 (Assuming (i) completion of the First Share Placing, and (ii) completion of First Share Placing and full conversion of the Convertible Notes in the aggregate principal amount of HK\$1,320,000,000 from 1 January 2009 to 31 December 2009 at the conversion price of HK\$0.36 per share)

	Existing shareholdings		Assuming completion of the First Share Placing		Assuming completion of the First Share Placing and full conversion of the Convertible Notes at the conversion price of HK\$0.36 per Share	
	<i>No. of</i>	<i>%</i>	<i>No. of</i>	<i>%</i>	<i>No. of</i>	<i>%</i>
	<i>Shares</i>	<i>(approximately)</i>	<i>Shares</i>	<i>(approximately)</i>	<i>Shares</i>	<i>(approximately)</i>
1. Nation Field Limited (<i>Note 1</i>)	125,782,321	28.54%	125,782,321	23.79%	125,782,321	3%
Public Shareholding :						
2. Public Shareholders	315,015,222	71.46%	315,015,222	59.57%	315,015,222	7.51%
3. First Share Places	—	—	88,000,000	16.64%	88,000,000	2.10%
4. CN Places	—	—	—	—	3,666,666,666	87.39%
Total	<u>440,797,543</u>	<u>100.00%</u>	<u>528,797,543</u>	<u>100.00%</u>	<u>4,195,464,209</u>	<u>100.00%</u>

Scenario 3 (Assuming (i) completion of the First Share Placing, and (ii) completion of First Share Placing and full conversion of the Convertible Notes in the aggregate principal amount of HK\$1,320,000,000 from 1 January 2010 to the Maturity Date at the conversion price of HK\$0.39 per share)

	Existing shareholdings		Assuming completion of the First Share Placing		Assuming completion of the First Share Placing and full conversion of the Convertible Notes at the conversion price of HK\$0.39 per Share	
	<i>No. of</i>	<i>%</i>	<i>No. of</i>	<i>%</i>	<i>No. of</i>	<i>%</i>
	<i>Shares</i>	<i>(approximately)</i>	<i>Shares</i>	<i>(approximately)</i>	<i>Shares</i>	<i>(approximately)</i>
1. Nation Field Limited (<i>Note 1</i>)	125,782,321	28.54%	125,782,321	23.79%	125,782,321	3.21%
Public Shareholding :						
2. Public Shareholders	315,015,222	71.46%	315,015,222	59.57%	315,015,222	8.05%
3. First Share Places	—	—	88,000,000	16.64%	88,000,000	2.25%
4. CN Places	—	—	—	—	3,384,615,384	86.49%
Total	<u>440,797,543</u>	<u>100.00%</u>	<u>528,797,543</u>	<u>100.00%</u>	<u>3,913,412,927</u>	<u>100.00%</u>

Scenario 4 (Assuming (i) completion of the First Share Placing, (ii) completion of the Share Placing, (iii) the completion of the Share Placing and full conversion of the Convertible Notes in the aggregate principal amount of HK\$1,320,000,000 from the date of issue of the Convertible Notes to 31 December 2008 at the conversion price of HK\$0.33 per share)

	Existing shareholdings		Assuming completion of the First Share Placing		Assuming completion of the Share Placing		Assuming completion of the Share Placing and full conversion of the Convertible Notes at the conversion price of HK\$0.33 per Share	
	<i>No. of</i>	<i>%</i>	<i>No. of</i>	<i>%</i>	<i>No. of</i>	<i>%</i>	<i>No. of</i>	<i>%</i>
	<i>Shares (approximately)</i>		<i>Shares (approximately)</i>		<i>Shares (approximately)</i>		<i>Shares (approximately)</i>	
1. Nation Field Limited (Note 1)	125,782,321	28.54%	125,782,321	23.79%	125,782,321	6.20%	125,782,321	2.09%
Public Shareholding :								
2. Public Shareholders	315,015,222	71.46%	315,015,222	59.57%	315,015,222	15.53%	315,015,222	5.23%
3. First Share Placees	—	—	88,000,000	16.64%	88,000,000	4.34%	88,000,000	1.46%
4. Second Share Placees	—	—	—	—	1,500,000,000	73.93%	1,500,000,000	24.88%
5. CN Placees	—	—	—	—	—	—	4,000,000,000	66.34%
Total	<u>440,797,543</u>	<u>100.00%</u>	<u>528,797,543</u>	<u>100.00%</u>	<u>2,028,797,543</u>	<u>100.00%</u>	<u>6,028,797,543</u>	<u>100.00%</u>

Scenario 5 (Assuming (i) completion of the First Share Placing, (ii) completion of the Share Placing, (iii) the completion of the Share Placing and full conversion of the Convertible Notes in the aggregate principal amount of HK\$1,320,000,000 from 1 January 2009 to 31 December 2009 at the conversion price of HK\$0.36 per share)

	Existing shareholdings		Assuming completion of the First Share Placing		Assuming completion of the Share Placing		Assuming completion of the Share Placing and full conversion of the Convertible Notes at the conversion price of HK\$0.36per Share	
	<i>No. of</i>	<i>%</i>	<i>No. of</i>	<i>%</i>	<i>No. of</i>	<i>%</i>	<i>No. of</i>	<i>%</i>
	<i>Shares (approximately)</i>		<i>Shares (approximately)</i>		<i>Shares (approximately)</i>		<i>Shares (approximately)</i>	
1. Nation Field Limited (Note 1)	125,782,321	28.54%	125,782,321	23.79%	125,782,321	6.20%	125,782,321	2.21%
Public Shareholding:								
2. Public Shareholders	315,015,222	71.46%	315,015,222	59.57%	315,015,222	15.53%	315,015,222	5.53%
3. First Share Placees	—	—	88,000,000	16.64%	88,000,000	4.34%	88,000,000	1.55%
4. Second Share Placees	—	—	—	—	1,500,000,000	73.93%	1,500,000,000	26.33%
5. CN Placees	—	—	—	—	—	—	3,666,666,666	64.38%
Total	<u>440,797,543</u>	<u>100.00%</u>	<u>528,797,543</u>	<u>100.00%</u>	<u>2,028,797,543</u>	<u>100.00%</u>	<u>5,695,464,209</u>	<u>100.00%</u>

Scenario 6 (Assuming (i) completion of the First Share Placing, (ii) completion of the Share Placing, (iii) the completion of the Share Placing and full conversion of the Convertible Notes in the aggregate principal amount of HK\$1,320,000,000 from 1 January 2010 to the Maturity Date at the conversion price of HK\$0.39 per share)

	Existing shareholdings		Assuming completion of the First Share Placing		Assuming completion of the Share Placing		Assuming completion of the Share Placing and full conversion of the Convertible Notes at the conversion price of HK\$0.39 per Share	
	<i>No. of</i>	<i>%</i>	<i>No. of</i>	<i>%</i>	<i>No. of</i>	<i>%</i>	<i>No. of</i>	<i>%</i>
	<i>Shares (approximately)</i>		<i>Shares (approximately)</i>		<i>Shares (approximately)</i>		<i>Shares (approximately)</i>	
1. Nation Field Limited (Note 1)	125,782,321	28.54%	125,782,321	23.79%	125,782,321	6.20%	125,782,321	2.32%
Public Shareholding:								
2. Public Shareholders	315,015,222	71.46%	315,015,222	59.57%	315,015,222	15.53%	315,015,222	5.82%
3. First Share Placees	—	—	88,000,000	16.64%	88,000,000	4.34%	88,000,000	1.63%
4. Second Share Placees	—	—	—	—	1,500,000,000	73.93%	1,500,000,000	27.71%
5. CN Placees	—	—	—	—	—	—	3,384,615,384	62.52%
Total	<u>440,797,543</u>	<u>100.00%</u>	<u>528,797,543</u>	<u>100.00%</u>	<u>2,028,797,543</u>	<u>100.00%</u>	<u>5,413,412,927</u>	<u>100.00%</u>

Note:

1. Nation Field Limited is wholly owned by Mr. Gao Yang, an executive Director.

Upon issue of the Second Placing Shares and full conversion of the Convertible Notes, the shareholding of the existing substantial shareholder, Nation Field Limited, will be materially diluted and Nation Field Limited will no longer be a substantial shareholder of the Company. However, as the Directors are unable to determine whether any Share Placee or CN Placee will become a substantial shareholder of the Company as a result of completion of the Share Placing and the CN Placing, the Directors are currently unable to determine whether there will be a change in the largest shareholder as a result of completion of the Share Placing and CN Placing. However, announcement will be made by the Company if any substantial shareholders evolved as a result of completion of the Share Placing and CN Placing or there is any change in control of the Company.

If any of the Share Placees or CN Placees are acting or presumed to be acting in concert with (i) each other; or (ii) other existing shareholders of the Company, and their aggregate holdings become 30% or more or if holding between 30% to 50%, increase by more than 2%, then a general offer will be triggered under Rule 26.1 of the Codes on Takeovers and Mergers.

DILUTION EFFECT ON SHAREHOLDERS

In view of the potential dilution effect on existing Shareholders on the exercise of conversion rights attaching to the Convertible Notes, for so long as any of the Convertible Notes are outstanding, the Company will keep Shareholders informed of the level of dilution and details of conversion after issue of the Convertible Notes as follows:-

- (i) the Company will make a monthly announcement (the “Monthly Announcement”) on the website of the Stock Exchange. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a table form:
 - (a) whether there is any conversion of the Convertible Notes during the relevant month. If yes, details of the conversion(s), including the conversion date, number of new Shares issued, conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
 - (b) the outstanding principal amount of the Convertible Notes after the conversion, if any;
 - (c) the total number of Shares issued pursuant to other transactions, including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company;
 - (d) the total issued share capital of the Company as at the commencement and the last day of the relevant month; and
- (ii) in addition to the Monthly Announcement, if the cumulative amount of new Shares issued pursuant to the conversion of the Convertible Notes reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will as soon as practicable but in any event no later than the fifth business day thereafter make an announcement on the website of the Stock Exchange including details as stated in (i) above for

the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be), up to the date on which the total amount of Shares issued pursuant to the conversion amounts to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Notes (as the case may be).

CONTINUATION OF THE LISTING OF THE COMPANY

Sufficiency of Public Float

The Company intends to maintain its listing status of the Shares on the Stock Exchange and the 25% minimum public float requirement upon issue of the Second Placing Shares and the conversion of the Convertible Notes.

As the issue of the Second Placing Shares and the conversion of the Convertible Notes may result in the Company failing to meet the minimum public float requirement as prescribed under Rule 8.08 of the Listing Rules, the Company and the Placing Agent agreed that completion of the Second Share Placing and conversion of the Convertible Notes shall be subject to public float requirement under the Listing Rules. In addition, no listing approval will be granted by the Stock Exchange if the percentage of the Shares held by the public cannot meet the minimum public float requirement under Rule 8.08 of the Listing Rules after issue of any Second Placing Share or Shares upon conversion of the Convertible Notes.

Possible Substantially high level of cash balance

At this stage, the Company is unable to determine whether it may be considered to be a cash company under Rule 14.82 of the Listing Rules upon completion of the Second Share Placing and CN Placing. If, but only if, the Company is unable to meet the requirement of Rule 14.82 of the Listing Rules, the Company will not be regarded as suitable for listing. The Company is in the process of actively identifying investment opportunities and will apply the proceeds from the Second Share Placing and CN Placing into such investment opportunities where they are suitable. The Company indicates that it will take appropriate actions, such as speed-up the identifying and fixing of suitable investment opportunities, to ensure full compliance with the relevant requirements under the Listing Rules, including but not limited to Rule 14.82 of the Listing Rules. In the event the Company notices that the Group's assets comprise wholly or substantially of cash, the Company will issue an announcement and request for suspension of dealings in the Shares as soon as practicable. **In view of the possible implication under Rule 14.82 of the Listing Rules on the Company, Shareholders and investors should exercise caution when dealing in the Shares.**

FUND RAISING IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

The Company has not undertaken any fund raising exercises in the 12 months immediately preceding the date of this announcement.

EGM

An EGM will be convened and held for the purpose of considering and, if thought fit, approve, among other matters, (i) the Second Share Placing and (ii) the CN Placing Agreement and the transactions contemplated thereunder; and (iii) the creation and issue of the Convertible Notes and the allotment and issue of any Shares upon conversion of the Convertible Notes. Subject to approval by Shareholder, the validity of the approval by Shareholders at the EGM for completion of the Second Share Placing and the CN Placing shall lapse by the end of 7 January 2008. The approval by Shareholders shall have validity period of approximately three months so as to provide flexibility to the Company and the Placing Agent to extend the Long Stop Date due to the fact that it will be burdensome and costly for the Company to convene another extraordinary general meeting to obtain approval from Shareholders to extend the Long Stop Date, if required. In addition, obtaining further approval from Shareholders at another extraordinary general meeting will be time consuming and which may affect the success of Second Share Placing and the CN Placing. In view of the above, the Board considers that the approximately three months validity period of the approval by Shareholders is fair and reasonable.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, no Shareholder is required to abstain from voting at the EGM.

GENERAL

The Company acts as an investment holding company. The Group is principally engaged in investment holding and manufacturing and trading of batteries products.

A circular containing, among other things, further details of the Second Share Placing, the CN Placing and a notice convening the EGM will be dispatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

Shareholders and potential investors should note that the Share Placing and the CN Placing are subject to conditions to be fulfilled. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

Trading in the Shares was suspended at the request of the Company with effect from 10:00 a.m. on 23 August 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the trading in the Shares to resume from 9:30 a.m. on 31 August 2007 following the publication of this announcement.

DEFINITIONS

“AGM”	the annual general meeting of the Company held on 6 June 2007
“associates”	has the meaning given to that term in the Listing Rules
“Board”	the board of Directors
“CN Placee(s)”	Placee(s) under the CN Placing
“CN Placing”	the placing of the Convertible Notes through the Placing Agent on a best effort basis pursuant to the terms of the CN Placing Agreement
“CN Placing Agreement”	the conditional placing agreement dated 23 August 2007 entered into between the Company and the Placing Agent in relation to the CN Placing
“Company”	China Strategic Holdings Limited, a company incorporated in the Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning given to that term in the Listing Rules
“Conversion Shares”	those shares to be issued upon the exercise of the conversion rights under the Convertible Notes, namely, a maximum of 4,000,000,000 new Shares falling to be issued if full exercise of the conversion rights attached to the Convertible Notes at the initial conversion price of HK\$0.33 per Share (subject to adjustment)
“Convertible Notes”	the convertible redeemable notes to be issued by the Company in the maximum aggregate principal amount of HK\$1,320,000,000 due on the Maturity Date
“Director(s)”	director(s) of the Company

“EGM”	extraordinary general meeting of the Company to be convened to approve the matter(s) referred to herein
“Existing General Mandate”	the general mandate granted to the Directors at the AGM to allot, issue or otherwise deal in up to 88,159,508 additional Shares
“First Placing Shares”	a total of 88,000,000 new Shares to be placed through the Placing Agent pursuant to the First Share Placing Agreement
“First Share Placing”	the placing of the First Placing Shares by the Placing Agent on a fully underwritten basis
“First Share Placing Agreement”	a conditional placing agreement dated 23 August 2007 entered into between the Company and the Placing Agent in relation to the First Share Placing
“Group”	the Company and its subsidiaries
“Independent Third Party (Parties)”	independent third party (parties) not connected with the directors, substantial shareholders of the Company or any of its subsidiaries or their respective associate
“Last Trading Day”	23 August 2007, being the trading day on which the Shares were suspended from trading on the Stock Exchange pending the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2007
“Maturity Date”	31 December 2010
“Placee(s)”	any institutional, corporate or independent individual investor(s) procured by the Placing Agent to subscribe for any principal amount of the Convertible Notes and First Placing Shares and the Second Placing Shares pursuant to the Placing Agent’s obligations under the CN Placing Agreement and the First Share Placing Agreement and the Second Share Placing Agreement respectively, as the case may be

“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on types 1 (dealing in securities) regulated activities for the purposes of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Price”	HK\$0.33 per Share
“Second Placing Shares”	up to a maximum of 1,500,000,000 new Shares to be placed through the Placing Agent pursuant to the Second Share Placing Agreement
“Second Share Placing”	the placing of the Second Placing Shares by the Placing Agent on a best effort basis
“Second Share Placing Agreement”	a conditional placing agreement dated 23 August 2007 entered into between the Company and the Placing Agent in relation to the Second Share Placing
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Placee(s)”	Placee(s) under the Share Placing
“Share Placing”	the First Share Placing and the Second Share Placing
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning given to that term in the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

On behalf of the board of directors of
China Strategic Holdings Limited
Chow Kam Wah
Executive Director

Hong Kong, 30 August 2007

As at the date of this announcement, the board of directors of the Company comprises Mr. Gao Yang, Mr. Kwok Ka Lap, Alva, Ms. Chan Ling, Eva and Mr. Chow Kam Wah as executive directors, and Mr. Wong King Lam, Joseph, Mr. Sin Chi Fai and Mr. Chan Sek Nin, Jacky as independent non-executive directors.