CHINA STRATEGIC HOLDINGS LIMITED
(中 策 集 團 有 限 公 司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 235)

VERY SUBSTANTIAL ACQUISITION
AND
RESUMPTION OF TRADING

THE ACQUISITION

The Board is pleased to announce that, on 31 July 2013 (after trading hours), Windmax, an indirect wholly owned subsidiary of the Company, the Target Company and the Vendor entered into the Agreement, pursuant to which,

A. The Vendor has conditionally agreed to sell and Windmax has conditionally agreed to buy or procure to buy the Sale Shares, representing approximately 20.23% of the total issued share capital of the Target Company for a consideration of HK$267,944,600 which is to be satisfied by Windmax in full in cash;

B. The Target Company has agreed to grant to Windmax the First Tranche Options to subscribe for the First Tranche Subscription Shares at First Tranche Subscription Price, representing approximately 18.61% of the enlarged issued share capital of the Target Company immediately after First Tranche Subscription Completion, subject to the conditions of the Agreement and assuming there is no other issue of new shares by the Target Company; and

C. The Target Company has further agreed to grant to Windmax the Second Tranche Option to subscribe for, subject to fulfilment of further conditions, the Second Tranche Subscription Shares, which together with the Sale Shares and the First Tranche Subscription Shares, will enable Windmax to hold 51.00% (as rounded to two decimal places) of the enlarged issued share capital of the Target Company immediately after the issue of the Second Tranche Subscription Shares.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio calculated pursuant to the Listing Rules in respect of the Acquisition and the First Tranche Subscription in aggregate exceeds 100%, the Acquisition and the First Tranche Subscription together constitute a very substantial acquisition of the Company for the purpose of the Listing Rules. The Agreement together with the transactions contemplated thereunder will be subject to, among other things, the approval of the Shareholders at the EGM.

Since no Shareholder has any material interest in the Acquisition which is different from other Shareholders and neither the Vendor nor its associates holds any Share in the Company as at the date of this announcement, no Shareholder is required to abstain from voting at the EGM to approve the Agreement and the transactions contemplated thereunder.

GENERAL

An EGM will be convened to Shareholders to vote on the approval of the Agreement and the transactions contemplated thereunder. The Company is not seeking the Shareholders' approval in the EGM on the exercise of Second Tranche Option, which is structured to provide an opportunity for the Company to decide after reviewing the then financial and market conditions. The Company will comply with all relevant Listing Rules requirements for the Second Tranche Subscription Completion. If necessary, a separate circular with necessary information will be sent to the Shareholders in due course when Windmax exercises the Second Tranche Option and a separate extraordinary general meeting of the Company will then be convened at that time for Shareholders to consider and approve the exercise of the Second Tranche Option and Second Tranche Subscription Completion.

A circular containing, inter alia, further details of the Agreement and the transactions contemplated therein, as well as other disclosures required under the Listing Rules and a notice of the EGM is expected to be despatched to the Shareholders on or before 30 September 2013 so as to allow sufficient time for the Company and the professional parties to prepare the relevant information for inclusion in the circular.

Shareholders and potential investors are reminded that the Agreement is subject to, among other things, fulfillment of certain conditions set out in the paragraph headed "Conditions Precedent to the Agreement" in this announcement. There is no assurance by the Company that any of the conditions will be fulfilled. Shareholders and potential investors should exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m on 1 August 2013 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 3 September 2013.

INTRODUCTION

The Board is pleased to announce that, on 31 July 2013 (after trading hours), Windmax, an indirect wholly owned subsidiary of the Company, as the Purchaser, entered into the Agreement with the Vendor and the Target Company, pursuant to which,

A. The Vendor has conditionally agreed to sell and Windmax has conditionally agreed to buy or procure to buy the Sale Shares, representing approximately 20.23% of the total issued share capital of the Target Company for a consideration of HK$267,944,600 which is to be satisfied by Windmax in full in cash;

B. The Target Company has agreed to grant to Windmax the First Tranche Options to subscribe for the First Tranche Subscription Shares at First Tranche Subscription Price, representing approximately 18.61% of the enlarged issued share capital of the Target Company immediately after First Tranche Subscription Completion, assuming there is no other issue of new shares by the Target Company and subject to the conditions of the Agreement; and

C. Subject to fulfilment of further conditions, the Target Company has further agreed to grant to Windmax the Second Tranche Option to subscribe for, the Second Tranche Subscription Shares, which together with the Sale Shares and the First Tranche Subscription Shares, will enable Windmax to hold 51.00% (as rounded to two decimal places) of the enlarged issued share capital of the Target Company immediately after the issue of the Second Tranche Subscription Shares.

THE AGREEMENT

Date and Parties

Date : 31 July 2013

Parties

Purchaser	:	Windmax Investments Limited
Vendor	:	HEC Capital Limited
Target Company	:	Cordoba Homes Limited

The Vendor is a company incorporated in the Cayman Islands with limited liability. The Vendor currently owns 100% of the Target Company and will own 79.77% of the Target Company upon completion of the Acquisition.

Information with regard to shareholders of more than 10% shareholding in the Vendor is set out as below:

Names of shareholders:	**Shareholding %**
Quinella International Incorporated *(Note 1)*	22.8
Ristora Investments Limited *(Note 1)*	19.7
Willie International Holdings Limited *(Note 2)*	10.4
Freeman Group *(Note 3)*	19.5

Note 1: The Vendor has informed that Quinella International Incorporated and Ristora Investments Limited are owned by two separate individual merchants, who are third parties independent of the Company and its connected persons.

Note 2: The Vendor has informed that Willie International Holdings Limited is a listed company in Hong Kong.

Note 3: The Vendor has informed that Freeman Group means Freeman Financial Corporation Limited (which is a listed company in Hong Kong) together with its subsidiary called Freeman Financial Services Limited.

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

SALE AND PURCHASE OF THE SALE SHARES

Subject to the terms and conditions in the Agreement, the Vendor shall sell the Sale Shares, and Windmax shall purchase or procure the purchase of the Sale Shares which represent approximately 20.23% of the total issued share capital of the Target Company at a subscription price of HK$3.4798 for each Sale Share. The total consideration is HK$267,944,600 which is to be satisfied by Windmax in full in cash in the following manner:

(i) HK$100,000,000 has been paid as initial deposit and part payment of the consideration upon the signing of the Agreement. This deposit is refundable to the Purchaser if the Agreement is terminated; and

(ii) the remaining balance of HK$167,944,600 shall be payable upon Sale Completion.

The amount of deposit is one of the terms requested by the Vendor during the negotiation to demonstrate the Purchaser's sincerity to enter and complete the Agreement subject to the conditions in the Agreement and is arrived after arm's length negotiations.

Basis of determination of the consideration:

The consideration was determined based on normal commercial terms and arrived at after arm's length negotiation between the Purchaser and the Vendor, after taking into account of various factors, including the audited net asset value of the Target Group as per its audited consolidated financial statements as of 31 March 2013. The Sale Shares price is set at the net asset value of the Target Group.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition to be fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

The Group intends to fund the Acquisition by internal financial resources.

PRINCIPAL TERMS OF THE FIRST TRANCHE OPTIONS

According to the terms and conditions of the Agreement, the Target Company shall grant to Windmax the First Tranche Options to subscribe for the First Tranche Subscription Shares, being 87,000,000 ordinary shares of the Target Company, at the First Tranche Subscription Price.

The First Tranche Subscription Price shall be the lower of HK$3.4798 or the average issue price in case there is any other issue(s) of new shares in the share capital of the

Target Company after the Sale Completion but before issue of the First Tranche Subscription Shares. The First Tranche Subscription price was determined by both the Purchaser and the Vendor on an arm's length negotiation, with reference to the audited net assets value of the Target Group. For illustration purpose, the total amount payable for the First Tranche Subscription is capped at HK$302,742,600 as the First Tranche Subscription Price is HK$3.4798 or lower.

Subsequent to the Sale Completion, Windmax is entitled to tender an irrevocable notice to the Target Company to exercise the First Tranche Options on or not more than five occasions during a period of 18 months from Sale Completion in respect of (i) not less than 20,000,000 First Tranche Subscription Shares, or (ii) if the whole remaining unexercised balance of the First Tranche Subscription Shares being less than 20,000,000, that lesser remaining unexercised balance of the First Tranche Subscription Shares, for each occasion.

The Target Company is bound to issue and allot the aforesaid quantity of the First Tranche Subscription Shares to Windmax as specified in the notice at the First Tranche Subscription Price, free from all encumbrances upon First Tranche Subscription Completion, credited as fully paid.

The First Tranche Subscription Shares (87,000,000 new shares to be issued and allotted by the Target Company to Windmax), when issued, representing approximately 18.61% of the enlarged issued share capital of Target Company immediately after the First Tranche Subscription Completion (assuming no other issue of new shares of the Target Company) and shall rank *pari passu* in all respects inter se and with all other shares of the Target Company then in issue.

The Group has sufficient resources to exercise the First Tranche Options but will consider its financing options when it intends to exercise any of the First Tranche Options. The Company has no present intention to exercise the First Tranche Options but it has been structured as part options to provide the Company an additional opportunity to review conditions and when the Company thinks appropriate within the options period.

PRINCIPAL TERMS OF THE SECOND TRANCHE OPTION

According to the terms and conditions of the Agreement, the Target Company shall grant to Windmax the Second Tranche Option to subscribe for the Second Tranche Subscription Shares. Windmax is entitled to tender, after the First Tranche Subscription Completion, notice to Target Company to exercise the Second Tranche Option on one occasion only during a period of 30 months from Sale Completion in respect of all of the Second Tranche Subscription Shares.

The Second Tranche Subscription Shares, when issued, will enable Windmax to hold 51.00% (as rounded to two decimal places) of the enlarged issued share capital of the Target Company immediately after the issue of the Second Tranche Subscription Shares and shall rank *pari passu* in all respects inter se and with all other shares of Target Company then in issue.

According to the Agreement, the subscription price of the Second Tranche Subscription Shares shall be subject to the final confirmation by both Windmax and the Target Company, determined with reference to net asset value of the Target Group as reflected on the then latest available audited financial statements of the Target Group.

The exercise of the Second Tranche Option and completion of the Second Tranche Subscription shall be subject to the fulfillment of the following conditions:-

- passing of the resolution(s) by the Shareholders in accordance with the Listing Rules to approve the completion of the Second Tranche Subscription, if required; and

- all other requisite consents, licence and approvals of any relevant third parties in Hong Kong and elsewhere (including the governmental authorities, the Stock Exchange, the banks and/or regulatory authorities) which are required for or appropriate in connection with the exercise of the Second Tranche Option and the completion of the Second Tranche Subscription.

The Second Tranche Option is a part of the Agreement achieved by the Company in its negotiations with the Vendor and the Target Company as a safeguard in case situation changes and an additional window of opportunity. However, in the current occasion the Shareholders approval on the delegation of the right to exercise the Second Tranche Option and the subscription of Second Tranche Subscription Shares will not be sought. If the Directors consider it is in the best interest and advantageous to exercise the Second Tranche Option, it will comply with all relevant Listing Rules requirements for the Second Tranche Subscription Completion, if appropriate, to publish the announcements and circular and convene a separate Shareholders' meeting to consider the matter. The EGM now proposes to be convened will not deal with the exercise of Second Tranche Option and Second Tranche Subscription. For avoidance of doubts, the Company has no present intention to exercise the Second Tranche Option.

CONDITIONS PRECEDENT TO THE AGREEMENT

(A) The respective obligations of the parties to the Agreement to effect Sale Completion, First Tranche Subscription Completion and the granting of the Second Tranche Option in accordance with the terms of the Agreement are conditional upon:

  (i) A due diligence investigation on the Target Group and its assets to be carried out pursuant to the Agreement having been completed to the reasonable satisfaction of the Purchaser in its sole discretion;

  (ii) The passing of the resolution(s) by the Shareholders in accordance with the Listing Rules to approve the Agreement and the transactions contemplated thereunder, if required; and

  (iii) All other requisite consents, licence and approvals of any relevant third parties in Hong Kong and elsewhere (including the governmental authorities, the Stock Exchange, the banks and/or regulatory authorities) which are required for or appropriate in connection with the execution and performance of the Agreement and any of the transactions contemplated thereunder having been obtained.

(B) The Purchaser, the Vendor and the Target Company shall use their respective best endeavours to procure the fulfillment of the conditions and in particular, shall furnish such information, supply such documents, give such undertakings and do all such acts and things as may reasonably be required in connection with the fulfillment of the conditions.

(C) If the conditions are not fulfilled or waived by Windmax on or before 29 November 2013 or such later date as the parties otherwise agree in writing from time to time, the Agreement shall terminate. On termination of this Agreement, all deposits and/or earnest monies, if any, paid by Windmax to the Vendor shall be returned to Windmax without interest within 3 business days after the date of termination. Upon termination of the Agreement, none of the parties to the Agreement shall have any claim against the others for costs, damages, compensation or otherwise, save in respect of antecedent breaches and claims.

COMPLETION

Completion of the Acquisition shall take place at or before 11:00 a.m. on the third business day after the date on which all of the conditions in the Agreement shall have been satisfied or waived (or such other date, time or place as Windmax and the Vendor may agree in writing).

The First Tranche Subscription Completion shall take place on the date specified in the First Tranche Options Notice, which is a business day on which the exercise of the First Tranche Options shall be completed and this date shall be not more than 10 business days and not less than 5 business days after the date of the First Tranche Options Notice or (if later) the date on which the conditions precedent (if any) to ensure compliance with applicable laws or regulations or contracts with third parties and specified in the First Tranche Options Notice are fulfilled.

Subsequent to the First Tranche Subscription Completion, the Second Tranche Option Notice can be given by Windmax to the Target Company on one occasion only during the Second Tranche Option Period in respect of all of the Second Tranche Subscription Shares. The Second Tranche Option Notice shall specify a target date (being a business day) on which the exercise of the Second Tranche Option shall be completed, which date shall be not more than 60 business days and not less than 5 business days after the date of the Second Tranche Option Notice or if otherwise agreed by Windmax and the Target Company, 10 business days after the date on which conditions precedent for the exercise of the Second Tranche Option and the Second Tranche Subscription Completion are fulfilled.

INFORMATION OF THE TARGET COMPANY

The Target Company is principally engaged in investment holding, property holding and money lending activities.

The Target Company was incorporated in year 2007 as a wholly-owned subsidiary of Willie International Holdings Limited ("Willie", which is a company listed on the Stock Exchange). Willie currently holds about 10.4% indirect shareholding in the Target Company. The following summary based on Willie's annual reports helps to explain the major changes in Willie's shareholding in the Target Company:

"In September 2009, an independent third party agreed to subscribe 750 million shares in Cordoba Homes Limited ("Cordoba"), a wholly-owned subsidiary of Willie, for a cash consideration of HK$450 million. Cordoba and its subsidiaries (collectively "Cordoba Group") are principally engaged in the property investment, investment holding and money lending businesses. The subscription monies were used for expansion of the existing business scope and future development of the business of Cordoba Group. The transaction was completed in December 2009. Upon completion, Willie's interest in Cordoba Group was subsequently reduced to 55.27% and a deemed disposal loss of approximately HK$152 million was recognized in the consolidated financial statements.

In December 2010, Cordoba, an associate of Willie, entered into a subscription agreement with a third party, Hennabun Capital Group Limited ("Hennabun"), pursuant to which Cordoba agreed to issue and Hennabun agreed to subscribe 400,000,000 ordinary shares of Cordoba with a par value of HK$0.10 each for a consideration of HK$240,000,000. The consideration was satisfied by 40,000,000 new shares of Hennabun with a par value of US$0.10 each. The disposal was completed on 29 December 2010 and accordingly, Willie's 49.38% equity interest in Cordoba Group was diluted to 40.71% of the enlarged issued share capital of Cordoba as at the date of completion resulting in a loss of HK$18,971,000.

During 2011, Cordoba, entered into certain subscription agreements pursuant to which Cordoba issued certain new shares to various investors, which constitute a deemed disposal of Willie's equity interest in Cordoba. These deemed disposals were completed during 2011 and accordingly, Willie's 40.71% equity interest in Cordoba Group was diluted to 24.35% of the enlarged issued share capital of Cordoba as at 31 December 2011, and there was a loss of HK$13,236,000 arising therefrom."

The Company is given to understand that:

- Willie has held the investment in Cordoba as a long-term investment and Cordoba has recorded profits in the recent two years as disclosed later in this section.

- The transaction relating to the subscription of shares in Cordoba in year 2009 mentioned in the above summary at a subscription price below Cordoba's net asset value per share (representing approximately 25% discount) was initiated by Willie and approved by Willie's shareholders out of their commercial consideration to attract new funds for expanding Cordoba's business at that time.

- While Cordoba is an unlisted company, it is noted from the Listing Rule 13.36(5) that a listed company is usually allowed to place shares at a price representing a discount of not more than 20% to benchmarked closing price of the listed issuer to enable assessment of the reasonableness of issuing shares by Cordoba in the past at discount to net asset value.

During the past two years before executing the Agreement, the Target Company issued shares (representing approximately 10.8% of the enlarged share capital of the Target Company by that time) to three new independent third party investors from August 2011 to December 2011. The Company is given to understand that these recent issues of shares were made at a price (HK$0.6 per Cordoba share before the 10 for 1 share consolidation to be mentioned in the following paragraph) representing a small discount (less than 5%) to the net asset value per share of the Target Company by that time. In contrast, the Company has agreed under the Agreement to acquire shares in the Target Company at a price equivalent to the net asset value per share of the Target Company and there is no discount to the Company. As the Target Company's profitability has improved in the recent two years as disclosed later in this section, the Company considers that it is fair and reasonable to acquire shares in the Target Company without discount.

The Target Company underwent a group structure reorganisation in April 2002 after a 10 for 1 share consolidation of the Target Company. Under the group structure reorganisation, each of the then shareholders exchanged its shares in the Target Company for the same number of shares in the Vendor (a special purpose vehicle formed as the holding company by that time) in the process of which the Target Company has become a wholly-owned subsidiary of the Vendor. The reason of the said group structure reorganisation was to facilitate future expansion and development (e.g. while the Target Company can focus on property holding, the Vendor as its holding company can through other subsidiaries carry on other types of business so that management of different profit centres can be more clear-cut).

The Company is given to understand that the Target Company has no plans to issue new shares as at the date of this announcement. Based on this, the Company does not expect any loss similar to Willie's loss mentioned in the summary after the Acquisition.

Other than a small proportion (less than 5%) of assets and business operations located in Australia, the assets and business operations of the Target Group are located in Hong Kong and about 75% of its total assets are represented by investment properties and related leasehold improvements located in Hong Kong. As at 31 March 2013, the sum of values of the Target Group's investment properties consisting of 11 residential properties, 13 commercial properties and some car parks (*2012: 7 residential properties, 12 commercial properties and some car parks*) located in Hong Kong was approximately HK$1,433 million (*2012: approximately HK$1,049 million*) based on the market value basis valuation conducted by an independent qualified professional valuer in Hong Kong. Most of these properties have been rented out to generate stable rental income, apart from the purpose of holding for capital gain in fair value. According to the Target Company, their rental income was negotiated and charged by reference to the market rate.

The Target Group has carried on money lending business in Hong Kong through two of its subsidiaries holding money lender licences. The Target Group has granted secured loans and unsecured loans to customers covering individuals as well as corporate clients located in Hong Kong. The amount of loan receivables of the Target Group as at 31 March 2013 was approximately HK$7.4 million carrying effective interest rates ranging from around 2% to 12% per annum (*2012: approximately HK$26.4 million carrying effective interest rates ranging from around 2% to 12% per annum*). According to the Target Company, all the loan receivables of approximately HK$7.4 million as at 31 March 2013 as mentioned above have been secured by mortgage of properties located in Hong Kong.

The Target Group held investments in securities listed on the local stock exchange amounting to approximately HK$32 million as at 31 March 2013 (*2012: approximately HK$60 million*) for trading purpose. According to the Target Company, their investment objectives are to seek dividend income as well as capital gain in market value of the listed securities. Their investment decisions are made by directors and senior executives of their subsidiary company, which serves as their investment arm, after analyzing the stock market conditions, business prospect and discount to net asset value of listed securities.

The information below relating to the Target Company is based on information provided by the Vendor, and is subject to further due diligence verification and enquiries by the Company.

The audited consolidated financial information of the Target Company, which has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants are summarized as follows (for illustration purposes only):

	For the year ended 31 March 2013	For the year ended 31 March 2012
	HK$'000	*HK$'000*
Turnover		
Net losses from the sale of investments at fair value through profit or loss	(3,396)	(18,422)
Interest income from loan receivables	3,617	16,091
Rental income	54,957	46,788
Dividend income	242,441	41
	297,619	44,498
Net gains arising from changes in fair value of investment properties	244,217	136,635
Profit before taxation	468,730	87,394
Profit for the year	472,724	95,048

	As at 31 March 2013	As at 31 March 2012
	HK$'000	*HK$'000*
Net assets	1,324,347	2,460,638

Notes:

1. Notwithstanding a profit has been arisen, the net assets value has been reduced from approximately HK$2,461 million (inclusive of approximately HK$1,370 million unlisted investments) to about HK$1,324 million (inclusive of approximately HK$2,000 unlisted investments) in the year ended 31 March 2013 due to distribution of dividends (in specie form of unlisted investments amounting to approximately HK$1,609 million) to its holding company during the year.

2. The profit for the year of the Target Group increased from about HK$95 million to about HK$473 million was primarily attributable to the increase in turnover and the net gains arising from changes in fair value of investment properties.

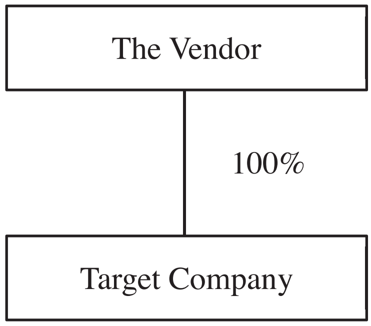
3. The current business strategy of the Target Company is to focus on investing in local properties and the Target Group has therefore purchased further properties and scaled down its other business segments in the past two years and distributed its unlisted investments to its holding company in the form of dividends in specie in the year ended 31 March 2013.

4. The increase in the Target Group's turnover was mainly attributable to a non-recurring dividend income (in specie form of unlisted investments) amounting to approximately HK$240 million received by the Target Company during the year ended 31 March 2013.

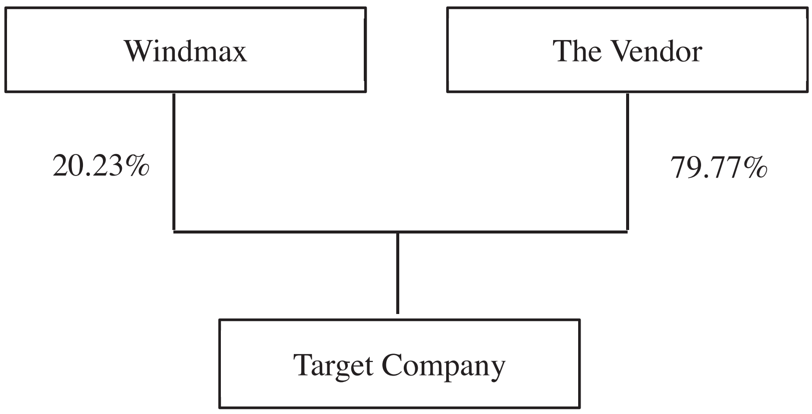
5. According to the information provided by the Target Company, the unlisted investments (dividends in specie) mentioned in notes 1, 3 and 4 above were equity investments in a private company, namely Allied Weli Development Limited, which was also partly held by its holding company. Allied Weli Development Limited together with its subsidiaries were principally engaged in securities brokerage and financial services such as corporate finance advising services, asset management investment advising, fund management, commodities dealer (in Hang Seng Index futures contracts) which are regulated activities governed by Securities and Futures Ordinance in Hong Kong, money lending, nominees and investment holding. Such dividends in specie has facilitated the Target Company and its holding company to streamline their group structure and to enable the Target Company to focus on investing in local properties. The remaining balance (approximately HK$2,000) of unlisted investment held by the Target Group represents its investment in the shares in a rural society required for conducting their livestock raising business in Australia.

SHAREHOLDING STRUCTURE OF THE TARGET COMPANY

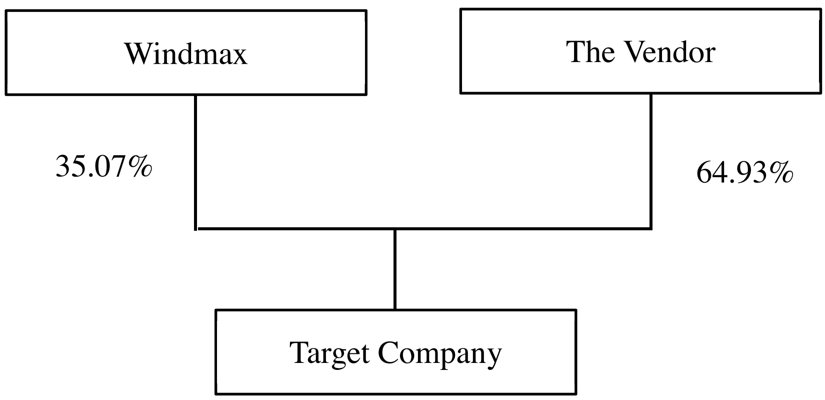
Immediately before the Acquisition



Immediately after the Acquisition



Immediately after the Acquisition and the First Tranche Subscription Completion (if First Tranche Options are fully exercised)



INFORMATION OF THE COMPANY

The Company is an investment holding company. The Group is principally engaged in (i) the manufacturing and trading of battery products and related accessories and (ii) the investments in securities.

REASONS FOR AND BENEFIT OF THE ACQUISITION

With the recent and continual decline and deterioration in the battery business environment adversely affecting the Group, the Company has been looking for opportunities to diversify the Group's income and asset base with a view to lessen its reliance on its existing businesses and to enhance Shareholders' value.

The Company has considered that it would take extensive time and substantial effort to amass a portfolio of investments assets as currently held by the Target Company. Purchasing outright with the amount of resources presently contemplated here-in would also limit the number of properties that can be invested in. The Company will also has to form a property investment team to manage and lease out the properties acquired which will not justify the time and expenses incurred. Furthermore, the transactions costs incurred, including but not limited to the penalizing stamp duty currently prevailing are also significantly higher than simply acquiring an interest in Target Company. After balancing the above with the issue of control, the Company decides that the Acquisition is in the best interests of the Company and its Shareholders as a whole.

The Company is of the view that the Acquisition represents an unique opportunity for the Company to invest into and eventually, with the exercise of the First Tranche Options and the Second Tranche Option if deemed fit, to gain control of a quality company engaging in property investments and management. The Target Company has demonstrated track record of being able to generate attractive returns on its property investments (i.e. the net gains arising from changes in fair value of investment properties for approximately HK$244 million and HK$137 million recorded in the Target Group's consolidated financial statements for the past two financial years as mentioned in the section headed "Information of the Target Company" in this announcement). The Target Company and its ultimate shareholder have agreed to invite the Company to participate in future property investments. Thus the Acquisition will allow the Company to combine making an investment with good prospects as well as a means to diversify its business.

The Company considers that the terms of the Agreement are fair and reasonable, and that the Acquisition, the First Tranche Subscription and the acceptance of the granting of the Second Tranche Option are in the interest of the Company and the Shareholders as a whole.

PARTICIPATION IN THE MANAGEMENT OF THE TARGET COMPANY

As the Target Company is a private company and similar to most other companies, the making of investment and other business decisions are vested to the board of directors nominated by the shareholders of the Target Company. Pursuant to the articles of association of the Target Company, issuing new shares or other changes in share capital (such as share consolidation) by the Target Company does not require approval from its shareholders.

When the Target Company started off as a wholly-owned subsidiary of Willie, the Target Company's board of directors by that time was under Willie's control. As mentioned in the section headed "Information of the Target Company", Willie's shareholding in the Target Company has been reduced gradually since December 2009. Following the changes in shareholdings of the Target Company, the Target Company's board of directors has been restructured correspondingly with the resignation of two initial directors nominated by Willie and the appointment of the existing five directors to serve the interests of shareholders of the Target Company as a whole. There was no change to the composition of the Target Company's board of directors during the past two years.

The existing five directors of the Target Company have more than 10 years' experience and relevant knowledge in business administration, investment in properties, property management and investment in securities. Before joining the Target Company, they had worked at senior level for companies in Hong Kong and the mainland China. One of them is a licensed representative registered under the Securities and Futures Ordinance in Hong Kong and another is a legal professional. All of the existing five directors of the Target Company are persons independent of the Company and its connected persons. The diversity of the existing board of directors of the Target Company and their track record of investing in local properties in the past two years have assured the Company of their ability in managing the business of the Target Company.

Upon the completion of the Acquisition, the Company will be allowed to nominate such number of representative(s) to serve on the board of directors of the Target Company in proportion to its shareholding interest in the Target Company provided that the minimum number of directors so entitled to be nominated by Windmax shall be one.

Pursuant to the Target Company's articles of association, the directors can be removed by the shareholders thus ensuring that their actions are in line with the shareholders' interest as a whole. In the Agreement, the Company has the right to appoint directors in proportion to its shareholding. Notwithstanding the above, the Company has a minimum of 1 director at all times thus ensuring it will always be fully informed as well as having a vote on the board to influence (if required) the policies of the Target Company.

Furthermore, the price revision mechanism for the First Tranche Options will assure the Company that it is not at any disadvantage if there are new shares of Target Company to be issued to other parties in between. The Company also has an option to subscribe shares of Target Company up to 51% of the then enlarged shareholding and control the board and the management of the Target Company.

For illustration purpose, the Target Company's board currently consists of 5 directors and assuming there is no change in the number of directors: (a) the Company will be entitled to nominate 1 new director to serve on the Target Company's board with 1 original director to resign after the Sale Completion (about 20.23% equity interest in Cordoba); (b) the Company will still only be entitled to nominate 1 new director in aggregate to serve on the Target Company's board but if the board's composition is increased to 6 directors the Company will be able to nominate 2 directors after the First Tranche Subscription Completion (about 35.07% equity interest in Cordoba); and (c) the Company will be entitled to nominate 3 new directors in aggregate to serve on the Target Company's board with 3 original directors in aggregate to resign after the Second Tranche Subscription Completion (about 51% equity interest in the Target Company).

The Company has carefully reviewed the track record of the Target Company with respect to its overall performance and is satisfied with the board of the Target Company. Furthermore, in the discussions and negotiations with the Target Company, the Company believes the Target Company's business perspectives are in line with the objective of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio calculated pursuant to the Listing Rules in respect of the Acquisition and the First Tranche Subscription (if exercised by the Company) exceeds 100%, the Acquisition and the First Tranche Subscription together constitute a very substantial acquisition of the Company for the purpose of the Listing Rules. The Agreement together with the transactions contemplated thereunder will be subject to, among other things, the approval of the Shareholders at the EGM.

Since no Shareholder has any material interest in the Agreement which is different from other Shareholders and neither the Vendor nor its associates holds any Share as at the date of this announcement (and assuming these circumstances remaining unchanged as at the date of the EGM), no Shareholder is required to abstain from voting at the EGM to approve the Agreement and the transactions contemplated thereunder.

GENERAL

An EGM will be convened to Shareholders to vote on the Agreement, and the transactions contemplated thereunder including the acceptance of the granting of the Second Tranche Option, the exercise of which requires a separate approval by the Shareholders at a separate meeting. The Company is not seeking the Shareholders' approval in the EGM on the exercise of Second Tranche Option, which is structured to provide an opportunity for the Company to decide after reviewing the then financial and market conditions. The Company will comply with all relevant Listing Rules requirements for the Second Tranche Subscription Completion. If necessary, a separate circular with the necessary information will be sent to the Shareholders in due course when Windmax exercises the Second Tranche Option and a separate extraordinary general meeting of the Company will then be convened at that time for Shareholders to consider and approve the exercise of Second Tranche Option and the completion of the Second Tranche Subscription.

A circular containing, inter alia, further details of the Agreement and transactions contemplated thereunder, as well as other disclosures required under the Listing Rules and a notice of the EGM is expected to be despatched to the Shareholders on or before 30 September 2013 so as to allow sufficient time for the Company and the professional parties to prepare the relevant information for inclusion in the circular.

Shareholders and potential investors are reminded that the Agreement is subject to, among other things, fulfillment of certain conditions set out in the paragraph headed "Conditions Precedent to the Agreement" in this announcement. There is no assurance by the Company that any of the conditions will be fulfilled. Shareholders and potential investors should exercise caution when dealing in the Shares.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended since 9:00 a.m. on 1 August 2013 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 3 September 2013.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

"Acquisition"	the acquisition of the Sale Shares by Windmax in accordance with the terms of the Agreement
"Agreement"	the agreement entered into among Windmax, the Target Company and the Vendor on 31 July 2013 in relation to the Acquisition, First Tranche Options and Second Tranche Option
"Board"	the board of Directors
"Company"	China Strategic Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the main board of the Stock Exchange
"Director(s)"	director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be convened for approving the Agreement and the transactions contemplated thereunder
"First Tranche Options"	the rights granted by the Target Company to Windmax in respect of the subscription of the First Tranche Subscription Shares
"First Tranche Options Notice"	a notice given by Windmax to the Target Company exercising the First Tranche Options
"First Tranche Subscription"	the subscription of the First Tranche Subscription Shares by Windmax pursuant to the Agreement

"First Tranche Subscription Completion"	completion of the exercise of the First Tranche Options and completion of the First Tranche Subscription
"First Tranche Subscription Price"	a subscription price per First Tranche Subscription Share of the lower of: (i) HK$3.4798; or (ii) in case there is any other issue(s) of new shares in the share capital of the Target Company after Sale Completion, but before the issue of the First Tranche Subscription Shares, the average issue price per share of the Target Company in that other issue(s) of new shares
"First Tranche Subscription Share(s)"	87,000,000 new ordinary share(s) to be issued and allotted by the Target Company to Windmax at the First Tranche Subscription Price upon the exercise of the First Tranche Options pursuant to the Agreement, representing approximately 18.61% of the enlarged issued share capital of the Target Company immediately after First Tranche Subscription Completion assuming there is no other issue of new shares by the Target Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Purchaser" or "Windmax"	Windmax Investments Limited, a company incorporated in the British Virgin Islands with limited liability, is an indirect wholly owned subsidiary of the Company,
"Sale Completion"	completion of the sale and purchase of the Sale Shares pursuant to the Agreement

"Sale Shares"	77,000,000 ordinary shares of par value of HK$1 each in the issued capital of the Target Company representing approximately 20.23% of the total issued share capital of the Target Company as at the date of the Agreement
"Second Tranche Option"	the right granted by the Target Company under the Agreement to Windmax in respect of the subscription of the Second Tranche Subscription Shares
"Second Tranche Option Notice"	A notice given by Windmax to the Target Company exercising the Second Tranche Option
"Second Tranche Option Period"	a period of 30 months from Sale Completion
"Second Tranche Subscription"	the subscription of the Second Tranche Subscription Shares by Windmax
"Second Tranche Subscription Completion"	Completion of the exercise of the Second Tranche Option and completion of the Second Tranche Subscription
"Second Tranche Subscription Share(s)"	such quantity of new ordinary shares of a par value of HK$1 each in the Target Company to be issued and allotted by the Target Company to Windmax upon the exercise of the Second Tranche Option pursuant to the Agreement which enable Windmax to increase its shareholdings in the Company to 51.00% (as rounded to two decimal places) of the total issued share capital of the Target Company as enlarged by such issue of new ordinary shares
"Share(s)"	share(s) of HK$ 0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Cordoba Homes Limited, a company incorporated in the British Virgin Islands with limited liability
"Target Group"	the Target Company and its subsidiaries

"Vendor"	HEC Capital Limited, a company incorporated in the Cayman Islands with limited liability with principal business as investment holding
"%"	per cent

By order of the Board
China Strategic Holdings Limited
Or Ching Fai
Chairman

Hong Kong, 2 September 2013

As at the date hereof, the Board comprises Mr. Or Ching Fai, Ms. Chiu Ching Ching, Mr. Hui Richard Rui, Ms. Chan Ling, Eva and Mr. Chow Kam Wah as executive directors of the Company and Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying as independent non-executive directors of the Company