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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



英皇證券(香港)有限公司
Emperor Securities Limited

PLACING OF NEW SHARES

On 19 August 2014 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent whereby the Company agreed to place, through the Placing Agent, on a best effort basis, a maximum of 739,800,000 new Shares to not less than six Placées at a price of HK\$0.160 per Placing Share.

The maximum number of 739,800,000 Placing Shares represents (i) approximately 20% of the issued share capital of the Company of 3,699,183,927 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company of 4,438,983,927 Shares as enlarged by the issue of the 739,800,000 Placing Shares.

The Placing Price of HK\$0.160 per Share represents (i) a discount of approximately 18.37% to the closing price of HK\$0.196 per Share as quoted on the Stock Exchange on 19 August 2014, being the date of the Placing Agreement; and (ii) a discount of approximately 19.19% to the average closing price of approximately HK\$0.198 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 18 August 2014, being the last trading day prior to the date of the Placing Agreement.

The Placing Shares will be issued under the General Mandate and therefore the issue of the Placing Shares will not be subject to the approval of the Shareholders.

The maximum gross proceeds and net proceeds from the Placing will be approximately HK\$118.4 million and HK\$115.2 million, respectively. The net Placing Price will be approximately HK\$0.156 per Share. The net proceeds from the Placing are intended to be utilized as general working capital of the Group.

Shareholders and potential investors should note that completion of the Placing is subject to fulfillment of the conditions under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

Date : 19 August 2014 (after trading hours)
Issuer : the Company
Placing Agent : Emperor Securities Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

Number of Placing Shares

Pursuant to the Placing Agreement, the Placing Agent agreed to procure, on a best effort basis, not less than six Placees to subscribe for a maximum of 739,800,000 Placing Shares at a price of HK\$0.160 per Placing Share. The maximum number of 739,800,000 Placing Shares represents (i) approximately 20% of the issued share capital of the Company of 3,699,183,927 Shares as at the date of this announcement; and (ii) approximately 16.67% of the issued share capital of the Company of 4,438,983,927 Shares as enlarged by the issue of the 739,800,000 Placing Shares.

Ranking of Placing Shares

The Placing Shares, when issued and fully paid, will rank pari passu among themselves and with the Shares in issue at the time of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.160 per Share represents (i) a discount of approximately 18.37% to the closing price of HK\$0.196 per Share as quoted on the Stock Exchange on 19 August 2014, being the date of the Placing Agreement; and (ii) a discount of

approximately 19.19% to the average closing price of approximately HK\$0.198 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including 18 August 2014, being the last trading day prior to the date of the Placing Agreement.

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent on the date of the Placing Agreement with reference to the prevailing market price of the Shares.

The Directors consider that the terms of the Placing Agreement (including the Placing Price and placing commission) are on normal commercial terms and are fair and reasonable and that the Placing is in the interests of the Company and the Shareholders as a whole.

Placees

The Placing Shares will be placed to not less than six Placees, who and whose ultimate beneficial owners are independent institutional, professional and/or individual investors and not connected with any directors, chief executive or substantial shareholder(s) (if any) of the Company or its subsidiaries and their respective associates. It is expected that none of the Placees will become a substantial shareholder of the Company as a result of the Placing.

Conditions of the Placing Agreement

Completion of the Placing by the Placing Agent of the Placing Shares under the Placing Agreement is conditional upon:

- (i) the passing by the Board of resolutions to approve the Placing Agreement and the transactions contemplated thereunder; and
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Placing Shares.

The Company shall use its best endeavours to procure the fulfilment of the conditions and in the event the conditions are not fulfilled by 10 September 2014 (or such later date as may be agreed between the Company and the Placing Agent), the Placing Agreement shall terminate and all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and the Placing Agent shall be released from all obligations pursuant to the Placing Agreement and none of the parties shall have any claim against the others in respect of the Placing save for any antecedent breach.

Termination and force majeure

The Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing given to the Company at any time prior to 10:00 a.m. on the date of completion of the Placing Agreement upon the occurrence of the following events which, in the absolute opinion of the Placing Agent, has or may have an adverse effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or the full placement of all of the Placing Shares or otherwise makes it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement, there develops, occurs or comes into force:

- (a) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date hereof) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's absolute opinion would affect the success of the Placing; or
- (b) the imposition of any moratorium, suspension (for more than 7 trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would affect the success of the Placing; or
- (c) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's absolute opinion any such new law or change may affect the business or financial prospects of the Group and/or the success of the Placing; or
- (d) any litigation or claim being instigated against any member of the Group, which has or may have an effect on the business or financial position of the Group and which in the Placing Agent's absolute opinion would affect the success of the Placing; or
- (e) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or

- (f) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date hereof and prior to the date of completion of the Placing Agreement which if it had occurred or arisen before the date hereof would have rendered any of such representations and warranties untrue or incorrect or there has been a breach by the Company of any other provision of the Placing Agreement; or
- (g) there is any material change (whether or not forming part of a series of changes) in market conditions which in the absolute opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed,

then and in any such case, the Placing Agent may terminate the 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 date of completion of the Placing Agreement.

In the event that the Placing Agent terminates the Placing Agreement, all obligations of each of the parties under the Placing Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation under the Placing Agreement.

Completion

Completion of the Placing will take place at 4:00 p.m. (Hong Kong time) on the third Business Day after the date on which all the conditions as set out in paragraph headed “Conditions of the Placing Agreement” above are satisfied or such other date as the Company and the Placing Agent may agree in writing.

Placing commission

The Placing Agent shall receive a placing commission of 2.50% of the amount equal to the Placing Price multiplied by the number of the Placing Shares successfully placed. The placing commission was determined after arm’s length negotiations between the Company and the Placing Agent with reference to the market rate.

General Mandate

Under the General Mandate, the Company is authorized to issue up to 739,836,785 Shares. Up to the date of this announcement, no Share has been issued under General Mandate. The maximum of 739,800,000 Placing Shares will be issued and allotted under the General Mandate. Accordingly, the issue of the Placing Shares will not be subject to the approval of the Shareholders.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in (i) the trading of metals, (ii) the sales of electronic products, (iii) the money lending business and (iv) investments in securities.

The maximum gross proceeds and net proceeds from the Placing will be approximately HK\$118.4 million and HK\$115.2 million respectively. The net Placing Price will be approximately HK\$0.156 per Share. The net proceeds from the Placing are intended to be utilized as general working capital of the Group.

The Directors are of the view that the Placing will provide additional working capital to the Group in carrying on its businesses and will also broaden the capital and shareholder base of the Group. The Directors also consider that the terms of the Placing, including the rate of the placing commission, are fair and reasonable based on current market conditions. Accordingly, the Board considers that the Placing is in the interests of the Company and the Shareholders as a whole.

FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities during the twelve months immediately preceding the date of this announcement.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon completion of the Placing.

Shareholders	As at the date of this announcement		Upon completion of the Placing	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Public Shareholders	3,699,183,927	100.00	3,699,183,927	83.33
Placees	<u>—</u>	<u>—</u>	<u>739,800,000</u>	<u>16.67</u>
Total	<u>3,699,183,927</u>	<u>100.00</u>	<u>4,438,983,927</u>	<u>100.00</u>

Shareholders and potential investors should note that completion of the Placing is subject to fulfillment of the conditions under the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

- “Board” : the board of Directors
- “Business Day” : a day (other than a Saturday or Sunday or days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are open for general banking business
- “Company” : China Strategic Holdings Limited, a company incorporated in Hong Kong with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 235)
- “Director(s)” : director(s) of the Company

“General Mandate”	:	the general mandate which was granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 20 June 2014 to allot, issue and deal with up to 20% of the then issued share capital of the Company as at 20 June 2014
“Group”	:	the Company and its subsidiaries
“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
“Placees”	:	any independent institutional, professional and/or individual investors who are not connected with any directors, chief executive or substantial shareholder(s) (if any) of the Company or its subsidiaries and their respective associates
“Placing”	:	the placing of a maximum number of 739,800,000 Placing Shares on a best effort basis pursuant to the terms and conditions of the Placing Agreement
“Placing Agent”	:	Emperor Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), acting as the placing agent of the Placing Shares under the Placing Agreement
“Placing Agreement”	:	the placing agreement entered into between the Company and the Placing Agent on 19 August 2014 in respect of the Placing
“Placing Price”	:	HK\$0.160 per Placing Share (excluding any transaction levy, Stock Exchange trading fee and other fees or levies as may be payable by the Placees)
“Placing Shares”	:	a maximum number of 739,800,000 Shares to be issued pursuant to the Placing Agreement
“Share(s)”	:	ordinary share(s) of the Company

“Shareholder(s)” : the holder(s) of the Shares
“Stock Exchange” : The Stock Exchange of Hong Kong Limited
“HK\$” : Hong Kong dollars, the lawful currency of Hong Kong
“%” : per cent.

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

Hong Kong, 19 August 2014

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