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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)

PROPOSED CORNERSTONE INVESTMENT BEING A DISCLOSEABLE TRANSACTION

On 10 December 2014, the Company and its indirect wholly-owned subsidiary, Prospect Vantage entered into the Cornerstone Investment Agreement with Shengjing Bank, China Merchants Securities and Sheng Yuan Securities, under which Prospect Vantage has agreed to subscribe for the Investor Shares at the Offer Price under and as part of the International Offering through the Joint Bookrunners in their capacities as representatives of the international purchasers of the relevant portion of the International Offering, and the Company has agreed to guarantee the punctual performance of all the obligations of Prospect Vantage under the Cornerstone Investment Agreement.

As the relevant percentage ratios of the Cornerstone Investment are more than 5% but less than 25%, the Cornerstone Investment constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

CORNERSTONE INVESTMENT AGREEMENT

A summary of the principal terms of the Cornerstone Investment Agreement is set out below.

Date: 10 December 2014

- Parties:**
- (1) Prospect Vantage (as investor)
 - (2) Shengjing Bank (as the proposed issuer of the Investor Shares)
 - (3) the Company (as Guarantor)
 - (4) China Merchants Securities (as Joint Bookrunner)
 - (5) Sheng Yuan Securities (as Joint Bookrunner)

The Cornerstone Investment: Subject to the terms and conditions of the Cornerstone Investment Agreement, the Investor has agreed to subscribe for the Investor Shares at the Offer Price under and as part of the International Offering through the Joint Bookrunners in their capacities as representatives of the international purchasers of the relevant portion of the International Offering.

The Investor Shares will, when delivered to the Investor, be fully paid and free from all options, liens, charges, mortgages, pledges, claims, equities, encumbrances and other third party rights and shall rank pari passu with the H Shares then in issue and to be listed on the Stock Exchange.

Shengjing Bank has applied to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Investor Shares.

Assets to be acquired: The Investor Shares, being the number of H Shares that may be purchased with the aggregate amount of US\$20 million (inclusive of a brokerage fee of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.0027%) at the Offer Price.

Consideration and payment terms: The Aggregate Offer Price and the related brokerage and levies in respect of the Investor Shares which is payable to the Joint Bookrunners by same day value credit at or before 9:30 a.m. Hong Kong time on the Listing Date in Hong Kong dollars.

The consideration was determined after arm's length negotiations between the parties to the Cornerstone Investment Agreement based on the size of investment as offered by Shengjing Bank and accepted by the Company.

Conditions precedent:

The parties' respective obligations under the Cornerstone Investment Agreement are conditional upon:

- (a) the underwriting agreement for the Hong Kong Public Offering and the purchase agreement for the International Offering being entered into and having become effective and unconditional by no later than the time and date as specified in those underwriting or purchase agreements;
- (b) neither of the aforesaid underwriting nor purchase agreements having been terminated;
- (c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the H Shares (including the Investor Shares) and that such approval or permission having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (d) no Laws having been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or herein and there being no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, warranties, undertakings and confirmations of the Investor under the Cornerstone Investment Agreement being accurate and true in all material respects and that there being no material breach of the Cornerstone Investment Agreement on the part of the Investor.

All conditions (except for condition (c) above which cannot be waived) can be waived by the parties to the Cornerstone Investment Agreement. In the event that the conditions above have not been fulfilled and have not been waived on or before 180 days after date of the Cornerstone Investment Agreement (or such other date as may be agreed), the parties' respective obligations under the Cornerstone Investment Agreement shall cease and the Cornerstone Investment Agreement will terminate (without prejudice to accrued rights or liabilities of the parties).

Closing:

The Investor will acquire the Investor Shares contemporaneously with the closing of the International Offering and through the Joint Bookrunners at such time and in such manner as shall be determined by the Shengjing Bank and Joint Bookrunners.

Guarantee:

The Guarantor agrees to guarantee and covenant with Shengjing Bank and the Joint Bookrunners the due and punctual performance, observance and compliance of all the obligations of the Investor under the Cornerstone Investment Agreement.

**Restrictions on
subsequent disposal
of Investor Shares:**

Subject to certain conditions under the Cornerstone Investment Agreement, without prior written consent of Shengjing Bank and the Joint Bookrunners, the Investor will not, whether directly or indirectly, at any time during the Lock-up Period, dispose of any of the Investor Shares or any interest in any company or entity holding any Investor Shares in any manner, nor will it agree or contract to (or enter into any transaction with same economic effect), or publicly announce any intention to enter into a transaction with a third party for the disposal of any of the Investor Shares.

After the Lock-up Period, the Investor shall be free to dispose of any Investor Shares, provided that it notifies Shengjing Bank in writing prior to or on the date of the disposal and shall use all reasonable endeavours to ensure that any such disposal does not create a disorderly or false market in the H Shares and is otherwise in compliance with the SFO or any applicable Laws which the Investor is subject to in respect of the transactions contemplated under the Cornerstone Investment Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CORNERSTONE INVESTMENT AGREEMENT

The Company from time to time looks at and considers desirable investment opportunities and will make such investment if it is in the interest of the Company to do so. As the Company has been offered an opportunity to invest in the H Shares of Shengjing Bank as part of the International Offering and the Board considers Shengjing Bank to have a positive prospect, the Board has therefore decided to make such an investment in Shengjing Bank.

Having considered the above, the Directors consider that the terms of the Cornerstone Investment Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the relevant percentage ratios of the Cornerstone Investment are more than 5% but less than 25%, the Cornerstone Investment constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

INFORMATION ON THE COMPANY

The Company acts as an investment holding company. The principal activities of its principal subsidiaries include (i) trading of metal and electronic products, (ii) money lending business and (iii) investments in securities.

INFORMATION ON OTHER PARTIES TO THE CORNERSTONE INVESTMENT AGREEMENT

Shengjing Bank is a commercial bank in the PRC headquartered in Shengyang, Liaoning Province, with three principal lines of business: corporate banking, retail banking and treasury business.

Based on the application proof prospectus of Shengjing Bank posted on the Stock Exchange's website on 22 October 2014, set out below is the unaudited financial information of Shengjing Bank for the twelve months ended 31 December 2012 and 2013, and the six months ended 30 June 2014.

	For the twelve months ended 31 December 2012 RMB'000	For the twelve months ended 31 December 2013 RMB'000	For the six months ended 30 June 2014 RMB'000
Net profit before taxation	4,482,992 (equivalent to approximately HK\$5,653,052)	6,307,926 (equivalent to approximately HK\$7,954,294)	3,282,124 (equivalent to approximately HK\$4,138,758)
Net profit after taxation	3,509,339 (equivalent to approximately HK\$4,425,276)	4,888,801 (equivalent to approximately HK\$6,164,778)	2,505,624 (equivalent to approximately HK\$3,159,591)

Prospect Vantage is an indirectly wholly-owned subsidiary of the Company which principally engages in investment holding.

China Merchants Securities is a corporation licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO.

Sheng Yuan Securities is a corporation licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Shengjing Bank, China Merchants Securities and Sheng Yuan Securities, and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

DEFINITIONS

“Aggregate Offer Price”	the amount equal to the Offer Price multiplied by the number of Investor Shares to be purchased by the Investor pursuant to the Cornerstone Investment Agreement
“Board”	the board of Directors
“China Merchants Securities”	China Merchants Securities (HK) Co., Limited, a company incorporated in Hong Kong
“Company”	China Strategic Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 235)
“connected persons”	has the meaning as ascribed to it in the Listing Rules
“Cornerstone Investment”	the subscription of the Investor Shares of Shengjing Bank contemplated under the Cornerstone Investment Agreement
“Cornerstone Investment Agreement”	the cornerstone investment agreement dated 10 December 2014 entered into between the Company and Prospect Vantage, Shengjing Bank, China Merchants Securities and Sheng Yuan Securities
“Director(s)”	director(s) of the Company
“Global Offering”	the global offering pursuant to which Shengjing Bank proposes to obtain a listing for its H Shares on the Stock Exchange, comprising of the Hong Kong Public Offering and the International Offering
“Guarantor”	the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Public Offering”	the offer for subscription of the H Shares of Shengjing Bank by the public in Hong Kong

“H Shares”	the overseas foreign invested ordinary shares in the share capital of Shengjing Bank having a nominal value of RMB1.00 each which are to be subscribed for and traded in Hong Kong dollars and proposed to be listed on the Stock Exchange
“International Offering”	the conditional placing of H Shares outside the United States (including placing to professional and institutional investors in Hong Kong) in reliance on Regulation S under the United States Securities Act of 1933 and in the United States to qualified institutional buyers as defined in Rule 144A under the United States Securities Act of 1933
“Investor”	Prospect Vantage
“Investor Shares”	the H Shares to be purchased by the Investor pursuant to the Cornerstone Investment Agreement
“Joint Bookrunners”	China Merchants Securities and Sheng Yuan Securities, each a “ Joint Bookrunner ”
“Laws”	means all laws, status, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgements, decrees or rulings of any court, government, governmental or regulatory authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions
“Listing Date”	the date on which the H Shares are first listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Lock-up Period”	the period of six months following the Listing Date
“Offer Price”	the final Hong Kong dollar price per H Share (exclusive of brokerage and levies) at which the H Shares are to be offered and sold pursuant to the Global Offering
“percentage ratio(s)”	the percentage ratio(s) calculated based on the requirements under Rule 14.07 of the Listing Rules

“PRC”	the People’s Republic of China
“Prospect Vantage”	Prospect Vantage Holdings Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	Securities and Futures Commission
“SFO”	Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shengjing Bank”	Shengjing Bank Co., Ltd., a joint stock company incorporated in the PRC
“Sheng Yuan Securities”	Sheng Yuan Securities Limited, a company incorporated in Hong Kong
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States”	the United States of America, its territories and possession, any State of the United States and the District of Columbia

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

Hong Kong, 10 December 2014

As at the date of this announcement, the Board comprises four Executive Directors, namely Mr. Or Ching Fai (Chairman and Chief Executive Officer), Mr. Sue Ka Lok, Mr. Hui Richard Rui and Mr. Chow Kam Wah; and three Independent Non-executive Directors, namely Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying.

For the purpose of this announcement only, RMB is translated into HK\$ at the translation rate of RMB1 : HK\$1.2610.