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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)

PROFIT WARNING

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

The Board wishes to inform the Shareholders and potential investors that the Group expects to record a substantial loss for the year ended 31 December 2016 as compared with the profit recorded by the Group for the year ended 31 December 2015. The information contained in this announcement is only based on a preliminary assessment by the Board according to the unaudited management accounts of the Group for the year ended 31 December 2016 which have not been confirmed or audited by the Company's auditor.

Further details of the Group's financial results and performance will be disclosed in the annual results announcement of the Company for the year ended 31 December 2016 which is expected to be announced before the end of March 2017.

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

This announcement is made by China Strategic Holdings Limited (the "Company", and together with its subsidiaries, the "Group") pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

Based on a preliminary review by the Company's management on the management accounts of the Group, the Board of Directors (the "Board") of the Company wishes to inform the shareholders of the Company (the "Shareholders") and potential investors that the Group expects to record a substantial loss for the year ended 31

December 2016 as compared with the profit recorded by the Group for the year ended 31 December 2015. Such substantial loss was mainly attributable to the net loss on financial assets at fair value through profit or loss of approximately HK\$653.4 million (which comprised of net unrealised loss and net realised loss of approximately HK\$169.7 million and HK\$483.7 million respectively) expected to be recorded for the year ended 31 December 2016 as compared with the net gain on financial assets at fair value through profit or loss of approximately HK\$665.6 million (which comprised of net unrealised gain and net realised gain of approximately HK\$623.3 million and HK\$42.3 million respectively) recorded by the Group for the year ended 31 December 2015, despite there was a significant increase in profit expected to be generated by the Group's money lending business when compared to its results for the year ended 31 December 2015.

The Company considers such expected substantial loss from its investment in securities business was due primarily to the reversal of unrealised gains recognised for certain securities during the year ended 31 December 2015 and the volatile Hong Kong stock market during the year ended 31 December 2016, whereas the expected increase in profit generated by the Group's money lending business was mainly due to the higher average amount of loans advanced to customers during the year ended 31 December 2016.

The Company is in the process of finalising the annual results of the Group for the year ended 31 December 2016. The information contained in this announcement is only based on a preliminary assessment by the Board according to the unaudited management accounts of the Group for the year ended 31 December 2016 which have not been confirmed or audited by the Company's auditor.

Further details of the Group's financial results and performance will be disclosed in the annual results announcement of the Company for the year ended 31 December 2016 which is expected to be announced before the end of March 2017.

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

Hong Kong, 27 January 2017

As at the date of this announcement, the Board comprises four Executive Directors, namely Dr. Or Ching Fai (Chairman and Chief Executive Officer), Mr. Sue Ka Lok, Ms. Lee Chun Yeung, Catherine 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.