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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)

ANNOUNCEMENT MEMORANDUM OF UNDERSTANDING

This announcement is made pursuant to Rule 13.09(1) of the Listing Rules.

On 28 December 2007, the Purchaser, a wholly owned subsidiary of the Company, entered into the MOU with the Vendor in respect of the sale and purchase of the Sale Shares.

This announcement is made pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The board of directors (the “Board”) of China Strategic Holdings Limited (the “Company”) is pleased to announce that on 28 December 2007, Joinway Group Corp., a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company (the “Purchaser”), entered into the memorandum of understanding (“MOU”) with Gainpro Group Limited, a company incorporated in the British Virgin Islands with limited liability (the “Vendor”). To the best of the knowledge, information and belief having made all reasonable enquiries by the directors of the Company (the “Directors”), the Vendor and its ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

Pursuant to the MOU, the Vendor has agreed to procure its acquisition of the entire registered capital (“Sale Shares”) of 西烏珠穆沁旗金正礦業有限責任公司 (Xiwuzhumuqinqi Jinzheng Mining Co. Ltd.*) (“Target”), a company incorporated in Inner Mongolia of the People’s Republic of China (the “PRC”) and has agreed to negotiate in good faith with the Purchaser the terms of a definitive share sale and

purchase agreement (“S&P Agreement”) in respect of the Sale Shares. The Target owns the mining right of 西烏珠穆沁旗金正礦業有限責任公司金正煤礦 (Xiwuzhumuqinqi Jinzheng Mining Co. Ltd. Jinzheng Coal Mine*) (the “Mine”), details of the Mine are set out below. Other than the provisions relating to the Due Diligence (as defined below), the confidentiality obligation of the Vendor and the Purchaser in respect of the sale and purchase of the Sale Shares (the “Acquisition”), the Exclusivity Period (as defined below) and costs and expenses, the other terms of the MOU are not legally binding. The Vendor has on 26 December 2007 entered into an agreement with 中潤新世紀(北京)投資有限公司 (Zhong Run New Century (Beijing) Investment Company Limited*) (“Zhong Run”) to acquire, or procure the acquisition of, the Sale Shares. On 18 October 2007, the shareholders of the Target have passed a resolution approving, inter alia, the sale of the Sale Shares to Zhong Run.

MEMORANUM OF UNDERSTANDING

Acquisition

As soon as practicable after the signing of the MOU and up to the end of the Exclusivity Period (as defined below), the Vendor will procure its acquisition of the Sale Shares and the Purchaser and the Vendor will negotiate in good faith the terms of the S&P Agreement in respect of the Acquisition.

Consideration

The total consideration for the Share Sales under current negotiations is not less than RMB320 million but this is subject to further negotiations between the Vendor and the Purchaser.

Conditions Precedent to the completion of the Acquisition

Completion of the Acquisition is subject to the satisfaction of the following conditions :

- (i) the Purchaser being satisfied in its absolute discretion that the Vendor has the legal rights to sell, or to procure the sale of, the Sale Shares to the Purchaser and is able to vest the beneficial interests of the Sale Shares in the Purchaser;
- (ii) the Purchaser having obtained the PRC legal opinion issued by its PRC legal advisers in such form and substance to its satisfaction relating to: (i) the Target being duly registered and incorporated, its register of shareholders and its scope of business; (ii) issue of the valid mining license and relevant production permit by the relevant PRC governmental authorities; (iii) the transfer of the legal and beneficial ownership in the Sale Shares to the Purchaser; and (iv) other matters as the Purchaser may from time to time require;

- (iii) the Vendor having provided a technical report issued by a qualified technical adviser in such form and substance to the satisfaction of the Purchaser, which indicates the state and condition of the Mine as the Purchaser may require;
- (iv) the Purchaser having obtained the consolidated audited accounts of the Target for the period as designated by the Purchaser issued by the accountants in such form and substance to the satisfaction of the Purchaser;
- (v) the Purchaser have not notified the Vendor of its dissatisfaction with the results of the due diligence review on the Target and the Mine prior to completion; and
- (vi) all requisite consents and approvals from the relevant third parties (including any governments, official authorities or regulatory authorities) having been obtained with no laws, rules, regulations or decisions imposed, promulgated or adopted by any governments, official authorities or regulatory authorities prohibiting or restricting the acquisition of the Target, the Mine and the mining right of the Mine.

Exclusive Period

The Vendor has undertaken that it will procure that during the period from the date of the MOU until eight (8) months thereafter or such other date as the parties to the MOU may agree (the “Exclusivity Period”), there will not be any (i) sale, mortgage, grant of option or other disposition of, or encumbrance, or agreement to sell, mortgage, grant option over or otherwise dispose of or encumber, in respect of the whole or any part of the business, assets or shares of the Target or the Mine by any person other than the Purchaser; or (ii) discussions or negotiations with any person other than the Purchaser in relation the sale, mortgage or other disposition of, or grant of an option or other encumbrance in respect of, the whole or any part of the business, assets or shares of the Target or the Mine.

INFORMATION RELATING TO THE MINE

According to the information provided by the Vendor, the Mine has a proven reserve of not less than 750 million tonnes of power coal. The Mine is located at the southwest edge of Huolinhe Coal Mine and covers an area of 38.4065 square kilo-metres and has been granted a production permit of 1,200,000 tonnes of coal per annum. The Target is applying for a production permit for mining of not less than 3,000,000 tonnes of coal from the Mine per annum.

GENERAL

In the event that the formal S&P Agreement is signed, the Acquisition shall constitute a notifiable transaction for the Company, the Company will comply with the relevant requirements under the Listing Rules.

The Acquisition is still subject to the signing of a formal S&P Agreement, accordingly, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in shares of the Company.

On behalf of the Board of
China Strategic Holdings Limited
Chow Kam Wah
Director

Hong Kong, 28 December 2007

As at the date of this announcement, the board of directors of the Company comprises Ms. Chiu Ching Ching, Mr. Wong Ah Chik, Mr. Kwok Ka Lap, Alva, Ms. Chan Ling, Eva, Mr. Lee Sun Man and Mr. Chow Kam Wah as executive directors, and Ms. Ma Yin Fan, Mr. Phillip Fei and Mr. Leung Hoi Ying as independent non-executive directors.

* *For identification purpose only*