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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)

FURTHER CHANGE OF USE OF PROCEEDS

The Board would like to announce that the Company now proposes to further change the use of proceeds obtained from the Second Share Placing and the CN Placing as previously disclosed in the First Announcement, the Circular and the Second Announcement.

Reference is made to the announcement dated 30 August 2007 (the “First Announcement”) of China Strategic Holdings Limited (the “Company”), its circular dated 14 September 2007 (the “Circular”) and its announcement dated 7 March 2008 (the “Second Announcement”). Unless otherwise specified, terms used herein shall have the same meanings as those defined in the Circular.

As disclosed in the Second Announcement, it was the intention of the Company to apply approximately 50% of net proceeds from the Second Share Placing and the CN Placing for potential investment or business opportunities (the “New Investment Projects”) once they are identified. In light of the recent market turmoil and the deteriorating investment environment, the Company considered that such intended usage of net proceeds on New Investment Projects is not likely to be materialised in near future. It was also considered that such net proceeds will instead be used to redeem the Convertible Notes or any part thereof so as to reduce the liabilities of the Company and its subsidiaries and to improve its gearing ratio. The redemption of the Convertible Notes may be implemented by stages at such time as the Directors consider appropriate. In the event that such redemption of the Convertible Notes or any part thereof does not use up all such net proceeds, the remaining balance thereof will be used for general working capital purpose.

The Board considers that it is in the interests of the Company and the Shareholders as a whole.

By Order of the Board
China Strategic Holdings Limited
Chow Kam Wah
Director

Hong Kong, 30 October 2008

As at the date of this announcement, the Board comprises Ms. Chiu Ching Ching, Mr. Wong Ah Chik, Mr. Hui Richard Rui, 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.