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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 PLACING OF NEW SHARES UNDER SPECIAL MANDATE

Placing agent



KINGSTON SECURITIES LIMITED

SHARE PLACING

On 8 June 2009, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which, the Company has conditionally agreed to place, through the Placing Agent, up to 78,000,000,000 Placing Shares on a best effort basis at a price of HK\$0.1 per Placing Share.

The Placing is conditional upon, inter alia, the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in the relevant Placing Shares and the approval by the Shareholders on the Placing Agreement and the transactions contemplated thereunder, including the issue of the Placing Shares at the EGM.

The Placing can be completed partially by tranches provided that the aggregate number of the Placing Shares for each partial completion shall not be less than 2,000,000,000 Placing Shares (save for the last tranche of the Placing where the number of the Placing Shares to be issued may be less than 2,000,000,000, as the case may be). On the assumption that all Placing Shares are fully placed, the gross proceeds from the Placing will be about HK\$7.8 billion and the net proceeds from the Placing will be about HK\$7.6 billion. The net proceeds arising from the

Placing will be used for such potential investment or business opportunities once they are identified. At this stage, the Company is unable to determine whether it may be considered to be a cash company under Rule 14.82 of the Listing Rules upon completion of the Placing. If, but only if, the Company is unable to meet the requirement of Rule 14.82 of the Listing Rules, the Company will not be regarded as suitable for listing. The Company is in the process of actively identifying investment opportunities and will apply the proceeds from the Placing into such investment opportunities where they are suitable. The Company indicates that it will take appropriate actions, such as speed-up the identifying and fixing of suitable investment opportunities, to ensure full compliance with the relevant requirements under the Listing Rules, including but not limited to Rule 14.82 of the Listing Rules. In the event the Company notices that the Group's assets comprise wholly or substantially of cash, the Company will issue an announcement and request for suspension of dealings in the Shares as soon as practicable. **In view of the possible implication under Rule 14.82 of the Listing Rules on the Company, Shareholders and investors should exercise caution when dealing in the Shares.**

Completion of the Placing will result in a massive dilution of the shareholding of the existing shareholders. Upon completion of the Placing, the shareholding of the existing public shareholders will be decreased from 81.00% to 2.05%.

GENERAL

The Placing is subject to termination on the occurrence of, among other things, any event of force majeure (which include events set out in detail below respectively) at or before 10:00 a.m. on the completion date of the relevant Placing.

Shareholders and potential investors should note that the Placing is subject to conditions to be fulfilled. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

A circular containing, among other things, further details of the Placing and a notice convening the EGM will be dispatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

PLACING

Placing Agreement

Date

8 June 2009 (after trading hours)

Parties

The Company and Placing Agent

Placing Agent

The Placing Agent has conditionally agreed with the Company to place up to a maximum of 78,000,000,000 new Shares on a best effort basis.

The Placing Agent will receive a placing commission of 2.5% of the aggregate amount equal to the Placing Price multiplied by the number of the Placing Shares successfully placed by the Placing Agent. The Placing Agreement was arrived at after arm's length negotiations between the Company and the Placing Agent. The Placing Agent and its ultimate beneficial owners are not connected with the Company and its connected persons (as defined in the Listing Rules) .

Placees

Not less than six independent Placees (which will be independent individual, corporate and/or institutional investors) for the Placing Shares, who and whose ultimate beneficial owners (i) will not be connected persons of the Company; and (ii) will be Independent Third Parties. As at the date of this announcement, the Directors are unable to determine whether any Placee will become a substantial Shareholder (as defined in the Listing Rules) of the Company as a result of completion of the relevant tranche of the Placing.

Placing Price

The Placing Price of HK\$0.10 represents (i) a discount of about 17.36% to the closing price of HK\$0.121 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of about 22.48% to the average of the closing price per Share of about HK\$0.129 as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a discount of about 31.13% to the average of the closing price per Share of about HK\$0.1452 as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day.

On the assumption that all Placing Shares are fully placed, the net Placing Price per Placing Share shall be approximately HK\$0.0975 after deducting the commission and expenses arising from the Placing. The aggregate net proceeds raised upon the completion of the Placing will be about HK\$7.6 billion.

Placing Shares

Pursuant to the Placing Agreement, up to 78,000,000,000 new Shares will be placed by the Placing Agent on a best effort basis, representing approximately 3,844.64% of the Company's existing issued share capital of the Company as at the date of this announcement and about 97.46% of its issued share capital as enlarged by the completion of the Placing.

The Placing Shares will be allotted and issued under the special mandate proposed to be passed at the EGM. The Placing Shares will, when fully paid, be allotted and issued in accordance with the memorandum and articles of association of the Company and with the relevant rules and regulations applicable to the Company in Hong Kong and will, upon allotment and issue, be free from all liens, charges, encumbrances or third party rights of whatsoever nature and together with all rights attaching thereto at completion of the relevant tranche of the Placing and thereafter.

The Placing Shares will, when issued, rank *pari passu* in all respects with the existing Shares of the Company, including the right to receive all dividends declared, made or paid on or after the completion of the Placing.

Conditions Precedent

The Share Placing will be subject to the following conditions:

- the Listing Committee granting the listing of, and permission to deal, in the Placing Shares under the relevant tranches of the Placing (subject to conditions to which neither the Placing Agent nor the Company may reasonably object);
- the passing of the resolution by Shareholders approving (i) the Placing Agreement and the transactions contemplated thereunder, including the allotment and issue of the Placing Shares and (ii) the Increase in Authorised Share Capital, at the EGM; and
- the obligations of the Placing Agent under the Placing Agreements becoming unconditional and not being terminated in accordance with the terms thereof including provisions regarding force majeure event.

If the foregoing conditions are not fulfilled on or prior to the Long Stop Date (or such later date as may be agreed between the Company and the Placing Agent), the Placing Agreement shall terminate and none of the parties thereto shall have any claim against the other for any costs or losses (save for any prior breaches of the Placing Agreement).

Representation and Warranties

Under the Placing Agreement, the Company has given certain representations and warranties on, inter alia, the authority to enter into the Placing Agreement and the ranking of the Placing Shares upon allotment. In particular, the Company has warranted in the Placing Agreement, inter alia, that it shall provide the Placing Agent with all such information relating to the Company, any companies controlled by the Company and the Group as the Placing Agent would reasonably require for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Group or otherwise and all material facts and information which might reasonably be expected to be relevant in enabling the Placing Agent to fulfil its responsibilities in carrying out the terms of the Placing Agreement. The Company will provide published financial information to the Placing Agent. In addition, the Company shall accept full responsibility for the accuracy of all information and facts given by it to the Placing Agent in relation to the Placing and warrant that no other material information or material facts have been or will be withheld, the omission of which will make the information or facts given to the Placing Agent incorrect or misleading in any material respect, and to notify the Placing Agent should such omission or inaccuracy first come to the attention of the Company.

Termination and force majeure of the Placing

- (I) The Placing Agent reserves its right to terminate the Placing by notice in writing prior to 10:00 a.m. on the date of completion of the Placing, if in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by any force majeure events which include :
- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national,

international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

(II) If, at or prior to 10:00 a.m. on the completion date of the relevant Placing :

- (a) the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days save for the purposes of clearance of the announcement relating to the Placing Agreement or circulars relating to the Placing; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall in its reasonable opinion determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing.

The Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent under the Placing Agreement shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

Completion of the Placing

Completion of the Placing (or any relevant tranche thereof) will take place within four business day after the fulfilment of the condition as set out in the Placing Agreement or such other date to be agreed between the Company and the Placing Agent. The Company and the Placing Agent have agreed that each completion of the Placing is subject to compliance of public float requirement under the Listing Rules. The Company will not issue Placing Shares if such issue shall result in insufficient public float.

The Placing can be completed partially by tranches provided that the aggregate number of the Placing Shares for each partial completion shall not be less than 2,000,000,000 Placing Shares (save for the last tranche of the Placing where the number of the Placing Shares to be issued may be less than 2,000,000,000, as the case may be). Accordingly, the issue of the Placing Shares by tranches will provide flexibility to receive the maximum placing of the Placing Shares by the Placing Agent. The Company will issue an announcement upon each partial completion of the Placing. The Company will make listing applications to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the relevant Placing Shares once the Placing Agent confirms to the Company that the number of Placing Shares to be subscribed by the Placees procured by the Placing Agent has reached 2,000,000,000 Shares and that partial completion of the Placing can take place. Placing of the Placing Shares in tranches shall give flexibility to the Company in raising funds and the Company may receive funds in a quicker manner as partial completion can take place once the number of Placing Shares placed by the Placing Agent has reached 2,000,000,000 Shares. Accordingly, the Board considers that placing of Placing Shares in tranches is fair and reasonable to the Company and its Shareholders as a whole.

Listing

Application will be made to the Stock Exchange to grant the listing of, and permission to deal in, the relevant Placing Shares.

REASONS FOR AND BENEFIT OF THE PLACING AND USE OF PROCEEDS

The Board considers that the Placing is conducted in the best interest of the Company in view of the prevailing market conditions and that the recent market sentiment represents a good timing for the Placing. The Board has also considered to raise fund by rights issue or open offer or debt financing or financing by other means. However, the rights issue or open offer will normally be fully underwritten as compared with the best efforts basis under the Placing, and proceeds from rights issue or open offer will normally be fixed. On the other hand, there will be interest payable for the debt financing or financing by other means. After considering the abovementioned factors, the Board concluded that the Placing is better method and is preferred than other means to raise additional capital notwithstanding that the completion of the Placing will result in a massive dilution of the shareholding of the existing shareholders. In addition, the Placing gives the opportunity to the Company to broaden its shareholder and capital base and provide funding to the Company to capture suitable investment opportunities when they are identified. Although completion of the Placing will result in a massive dilution of shareholding of the existing Shareholders, the Board considers that the Placing is fair and reasonable to the Shareholders and the Company as a whole on the basis that the Placing represents an opportunity to raise capital for the Company to enhance the general working capital base and to explore potential business and take up investment opportunities in the future with readily available funds as and when appropriate although no specific projects have been identified.

Completion of the Placing will result in a massive dilution of the shareholding of the existing shareholders. Upon completion of the Placing in full, the shareholding of the existing public shareholders will be decreased from 81.00% to 2.05%.

On the assumption that all Placing Shares are fully placed, the gross proceeds from the Placing will be about HK\$7.8 billion and the net proceeds from the Placing will be about HK\$7.6 billion. The Company has been exploring potential investment and business opportunities and the net proceeds arising from the Placing will be used for such potential investment or business opportunities once they are identified.

EFFECT ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the effect on the shareholding structure of the Company upon completion of the Placing in full is set out as below:

	Existing shareholdings		Immediately after completion of the Placing (assuming no conversion of the Convertible Notes)		Immediately after completion of the Placing (assuming full conversion of the Convertible Notes (before adjustment))	
	<i>No. of Shares (approximately)</i>	<i>%</i>	<i>No. of Shares (approximately)</i>	<i>%</i>	<i>No. of Shares (approximately)</i>	<i>%</i>
1 Fan Guo Ping	380,910,000	18.78	380,910,000	0.48	909,090,000	1.11
2 Chen Guang Lin	4,470,000	0.22	4,470,000	0.01	560,024,720	0.70
Public Shareholding:						
3 Public Shareholders	1,643,417,543	81.00	1,643,417,543	2.05	1,643,417,543	2.01
4 Placees	—	—	78,000,000,000	97.46	78,000,000,000	95.47
5 Convertible Notes holders	—	—	—	—	586,651,669	0.71
Total	<u>2,028,797,543</u>	<u>100.00%</u>	<u>80,028,797,543</u>	<u>100.00%</u>	<u>81,699,183,932</u>	<u>100.00%</u>

Note: Based on the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance, Kingston Finance Limited currently holds security interests in respect of approximately 17.30% of the existing issued share capital of the Company. Kingston Finance Limited is beneficially owned by Mrs. Chu Yuet Wah and Ms. Ma Siu Fong as to 51% and 49% respectively. Mr. Lee Wai Man is the spouse of Ms. Ma Siu Fong.

The Directors are unable to determine whether any Placee will become a substantial Shareholder (as defined in the Listing Rules) of the Company as a result of completion of the relevant tranche of the Placing. The Placing Agent shall notify the Company in the event that any substantial shareholder is evolved as a result of the completion of the Placing Shares. In addition, the Placing Agent shall procure that none of the Placees and its concert parties (as defined under The Hong Kong Code on Takeovers and Mergers) will hold 30% or more of the voting rights of the Company upon the completion of the relevant tranche of the Placing, failing which, the Company shall not be obliged to complete such relevant tranche of the Placing and to issue Placing Shares to such Placees.

CONTINUATION OF THE LISTING OF THE COMPANY

Sufficiency of Public Float

The Company intends to maintain its listing status of the Shares on the Stock Exchange and the 25% minimum public float requirement upon issue of the Placing Shares and the conversion of the Convertible Notes.

As the issue of the Placing Shares may result in the Company failing to meet the minimum public float requirement as prescribed under Rule 8.08 of the Listing Rules, the Company and the Placing Agent agreed that completion of the Share Placing shall be subject to public float requirement under the Listing Rules. In addition, no listing approval will be granted by the Stock Exchange if the percentage of the Shares held by the public cannot meet the minimum public float requirement under Rule 8.08 of the Listing Rules after issue of any Placing Share.

Possible Substantially high level of cash balance

The Placing can be completed partially by tranches provided that the aggregate number of the Placing Shares for each partial completion shall not be less than 2,000,000,000 Placing Shares (save for the last tranche of the Placing where the number of the Placing Shares to be issued may be less than 2,000,000,000, as the case may be. On the assumption that all Placing Shares are fully placed, the gross proceeds from the Placing will be about HK\$7.8 billion and the net proceeds from the Placing will be about HK\$7.6 billion. The net proceeds arising from the Placing will be used for such potential investment or business opportunities once they are identified.

At this stage, the Company is unable to determine whether it may be considered to be a cash company under Rule 14.82 of the Listing Rules upon completion of the Placing. If, but only if, the Company is unable to meet the requirement of Rule 14.82 of the Listing Rules, the Company will not be regarded as suitable for listing. The Company is in the process of actively identifying investment opportunities and will apply the proceeds from the Placing into such investment opportunities where they are suitable. The Company indicates that it will take appropriate actions, such as speed-up the identifying and fixing of suitable investment opportunities, to ensure full compliance with the relevant requirements under the Listing Rules, including but not limited to Rule 14.82 of the Listing Rules. In the event the Company notices that the Group's assets comprise wholly or substantially of cash, the Company will make an announcement and request for suspension of dealings in the Shares as soon as practicable. **In view of the possible implication under Rule 14.82 of the Listing Rules on the Company, Shareholders and investors should exercise caution when dealing in the Shares.**

FUND RAISING IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

The Company has not undertaken any fund raising exercises in the 12 months immediately preceding the date of this announcement.

POSSIBLE ADJUSTMENT TO THE CONVERTIBLE NOTES

The Placing may lead to adjustments to the exercise price of the Convertibles Notes. The Company will notify the holders thereof and the shareholders by way of announcement regarding adjustments to be made (if any) pursuant to the terms of the Convertible Notes (as and when appropriate).

EGM

An EGM will be convened and held for the purpose of considering and, if thought fit, approve, among other matters, (i) the Placing Agreement and the transactions contemplated thereunder; and (ii) the Increase in Authorised Share Capital. Subject to approval by Shareholders, the validity of the approval by Shareholders at the EGM for completion of the Placing shall lapse by 4 December 2009. The approval by Shareholders shall have validity period of approximately four months so as to provide flexibility to the Company and the Placing Agent to extend the Long Stop Date due to the fact that it will be burdensome and costly for the Company to convene another extraordinary general meeting to obtain approval from Shareholders to extend the Long Stop Date, if required. In addition, obtaining further approval from Shareholders at another extraordinary general meeting will be time consuming and which may affect the success of Placing. In view of the above, the Board considers that the approximately four months validity period of the approval by Shareholders is fair and reasonable.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, no Shareholder is required to abstain from voting at the EGM.

GENERAL

The Company acts as an investment holding company. The Group is principally engaged in investment holding and manufacturing and trading of batteries products.

A circular containing, among other things, further details of the Placing and the Increase in Authorised Share Capital and a notice convening the EGM will be dispatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules.

Shareholders and potential investors should note that the Placing is subject to conditions to be fulfilled. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

“associates”	has the meaning given to that term in the Listing Rules
“Board”	the board of Directors
“Company”	China Strategic Holdings Limited, a company incorporated in the Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning given to that term in the Listing Rules
“Convertible Notes”	the convertible redeemable notes issued by the Company in aggregate principal amount of HK\$1,320,000,000 due on 31 December 2010
“Director(s)”	director(s) of the Company
“EGM”	extraordinary general meeting of the Company to be convened to approve the matter(s) referred to herein
“Group”	the Company and its subsidiaries
“Increase in Authorised Share Capital”	the increase in the authorised share capital of the Company from HK\$800,000,000 to HK\$20,000,000,000 by the creation of 192,000,000,000 additional new Shares
“Independent Third Party (Parties)”	independent third party (parties) not connected with the directors, substantial shareholders of the Company or any of its subsidiaries or their respective associate
“Last Trading Day”	8 June 2009, being the date of the Placing Agreement, which is a Stock Exchange trading day
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 November 2009
“Placee(s)”	any institutional, corporate or independent individual investor(s) procured by the Placing Agent to subscribe for the Placing Shares and the Placing Shares pursuant to the Placing Agent’s obligations under the Placing Agreement

“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on types 1 (dealing in securities) regulated activities for the purposes of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Price”	HK\$0.1 per Share
“Placing Shares”	up to a maximum of 78,000,000,000 new Shares to be placed through the Placing Agent pursuant to the Placing Agreement
“Placing”	the placing of the Placing Shares by the Placing Agent on a best effort basis
“Placing Agreement”	a conditional placing agreement dated 8 June 2009 entered into between the Company and the Placing Agent in relation to the Placing
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning given to that term in the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

On behalf of the board of directors of
China Strategic Holdings Limited
Yeung Kwok Yu
Director

Hong Kong, 8 June 2009

As at the date of this announcement, the Board comprises Ms. Chiu Ching Ching, Mr. Yeung Kwok Yu, Mr. Hui Richard Rui, Ms. Chan Ling, Eva, Mr. Lee Sun Man and Mr. Chow Kam Wah as executive Directors of the Company, and Ms. Ma Yin Fan, Mr. Phillip Fei and Mr. Leung Hoi Ying as independent non-executive Directors of the Company.