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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)

**(1) FURTHER INFORMATION ON POSSIBLE ACQUISITION
AND
(2) CONSORTIUM LETTER
AND
(3) PROPOSED APPOINTMENT OF DIRECTOR**

Reference is made to the Previous Announcements in relation to the Company's entry into a non-legally binding memorandum of understanding with Primus on 15 July 2009 to form a consortium with a view to submitting a proposal for the acquisition of a controlling interest in an insurance company located in the Greater China region and the proposed issue of Convertible Notes by the Company for the purpose of funding such proposed acquisition.

The Company now confirms that the insurance company referred to in the Previous Announcements is Nan Shan and confirms that the proceeds raised from the Placing will be used for the purpose of the proposed acquisition by the Company (either directly or through an affiliate) of not less than 60% of the Nan Shan Shares.

The Company is further pleased to announce that, as an indication of its commitment to the success of the Possible Acquisition, it has, on 2 September 2009, entered into a Consortium Letter with PFH Holdings and the Primus Investor, both affiliates of Primus, pursuant to which the parties agreed to the following:

- (1) that on or prior to the date of completion of the Sale and Purchase Agreement and subject to the fulfilment of all the conditions precedent set forth in the Sale and Purchase Agreement and the Conditional Placing Agreement, the Company will direct the Placing Agent to pay an amount up to the net proceeds

from the Placing (being a maximum aggregate amount of approximately HK\$7,600,000,000 (or its equivalent in any other currency)) to the Seller (or any other persons as directed by the Seller) for the purpose of satisfying the obligation to make payment of the purchase price under the Sale and Purchase Agreement.

- (2) that the Company will appoint Mr. Morse as director and vice chairman to the Board with effect from completion of the Possible Acquisition.

This announcement is made for the information of Shareholders and potential investors only.

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

As stated in the announcement dated 20 August 2009, the purpose of the Placing and issue of the Convertible Notes is to allow the Company to raise funds in anticipation of the Possible Acquisition. The Company is now pleased to inform Shareholders and potential investors that an amount up to the net proceeds from the Placing (being a maximum aggregate amount of approximately HK\$7,600,000,000 (or its equivalent in any other currency)) will be used to finance the acquisition of the Nan Shan Shares.

THE CONSORTIUM LETTER

On 2 September 2009, the Company, PFH Holdings and Primus Investor entered into the Consortium Letter in connection with the Bid and the Possible Acquisition.

Date

2 September 2009

Parties

- (1) The Company;
- (2) PFH Holding; and
- (3) Primus Investor.

The Bid and the satisfaction of the payment obligations under the Sale and Purchase Agreement

In view of the submission of the Bid and as an indication of its commitment to the success of the Bid, the Company has irrevocably agreed that subject to the fulfilment

of all the conditions precedent set forth in the Sale and Purchase Agreement (or waiver thereof) and the Conditional Placing Agreement, it shall, on or prior to the date of completion of the Sale and Purchase Agreement, direct the Placing Agent to pay an amount up to the net proceeds from the Placing (being a maximum aggregate amount of approximately HK\$7,600,000,000 (or its equivalent in any other currency)) to the Seller (or any other persons as directed by the Seller) for the purpose of satisfying the obligation to make payment of the purchase price under the Sale and Purchase Agreement.

Each of PFH Holdings, Primus Investor and the Company acknowledged that it is the intention of Primus Investor and the Company to establish or acquire Bidco for the purpose of entering into the Sale and Purchase Agreement, purchasing and holding the Nan Shan Shares. Each of PFH Holdings, Primus Investor and the Company further agreed that regardless of the shareholding structure of Bidco, upon completion of the Sale and Purchase Agreement, the Company will be the direct or indirect beneficial owner of not less than 60% of Nan Shan Shares acquired in the Possible Acquisition.

Appointment of director to the Board

The Company has agreed to appoint Mr. Morse as a director and vice chairman of the Company and for such appointments to take effect upon completion of the Possible Acquisition.

Composition of the board of directors of Bidco

The Bidco Board will consist of a majority of the Company's nominees and Primus Investor will nominate Mr. Morse and Mr. Wing Fai Ng to the Bidco Board.

INFORMATION OF MR. MORSE

Mr. Robert R. Morse aged 54 is currently the Chairman and co-CEO of Primus. Prior to becoming the Chairman and co-CEO of Primus, Mr. Morse was the CEO of Citigroup's Asia Institutional Clients Group and led Citigroup's corporate banking, investment banking, markets and transaction services teams in 17 countries and prior to that, Mr. Morse was head of Citigroup's Global Investment Banking Group.

As at the date hereof, Mr. Morse is a director and substantial shareholder of PFH Holdings.

THE POSSIBLE ACQUISITION

As previously mentioned in the announcement dated 20 August 2009, it is currently expected that the Possible Acquisition, if it materialises, will constitute a notifiable

transaction for the Company under Chapter 14 of the Listing Rules. In such event, the Company will comply with the relevant requirements under the Listing Rules, including, making further announcements, providing further information through the despatch of a circular in relation to the Possible Acquisition, and by obtaining Shareholders' approval by way of poll at a general meeting of the Company. Furthermore, the Conditional Placing Agreement is subject to the Sale and Purchase Agreement having been entered into by the Company (or by a member of the Group) and the Seller, and not having been terminated prior to the satisfaction or waiver of all the conditions precedent contained therein, either by mutual agreement between the parties to the Sale and Purchase Agreement or automatically in the case the conditions precedent contained therein are not satisfied or waived on or before the long stop date stated therein.

The Company will despatch a circular containing required information on (i) the Conditional Placing Agreement and the issue of the Convertible Notes and (ii) the Possible Acquisition, the Sale and Purchase Agreement and Nan Shan as soon as possible, if the Sale and Purchase Agreement is entered into. It is envisaged that the Conditional Placing Agreement and the Possible Acquisition will be considered and approved at the same Shareholders' meeting.

The Consortium Letter was entered into in anticipation of the Possible Acquisition. The Directors, including the independent non-executive Directors, believe that the terms of the Consortium Letter and the transactions contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole.

The Company would like to reiterate that completion of the Conditional Placing Agreement is subject to the Sale and Purchase Agreement not having been terminated prior to the satisfaction or waiver of all the conditions precedent contained therein, either by mutual agreement between the parties to the Sale and Purchase Agreement or automatically in the case the conditions precedent contained therein are not satisfied or waived on or before the long stop date stated therein. Accordingly, the proceeds from the Convertible Notes will be used directly for the satisfaction of the payment obligations under the Sale and Purchase Agreement. If the Sale and Purchase Agreement is not signed or if it is terminated prior to satisfaction or waiver of all the conditions precedent contained therein, the Convertible Notes will not be issued. Further, as the Company is obliged under the Consortium Letter to direct the Placing Agent to pay the net proceeds from the Placing to the Seller (or any other persons as directed by the Seller) for the purpose of satisfying the obligation to make payment of the purchase price under the Sale and Purchase Agreement, at no time will the Company have assets which consist wholly or substantially of cash and the Company will not as a result of the Placing become a cash company pursuant to Rule 14.82 of the Listing Rules.

INFORMATION ON THE GROUP, PFH HOLDINGS, PRIMUS INVESTOR AND PRIMUS

Information on the Group

The Group is principally engaged in investment holding and manufacturing and trading of battery products.

Information on PFH Holdings

PFH Holdings is a general partner of Primus Investor and an affiliate of Primus.

Information on Primus Investor

The Primus Investor is a limited partnership whose general partners are PFH Holdings and PFH GP, L.P. and is an affiliate of Primus.

Information on Primus

Primus is an independent financial services holding company in Asia, with a primary focus on acquiring, integrating, and growing a regional, industry-leading financial services platform. Primus has significant permanent capital and deep operational experience, and aims to build an Asia-based world-class financial services platform encompassing insurance, banking, brokerage, advisory and wealth management services.

Primus' management team is comprised of individuals who formerly held key leadership positions in several prominent global financial institutions, and were instrumental in their establishment and growth in Asia. Primus is committed to its fiduciary duties to all stakeholders, and consistently advocates the highest corporate governance standards in all of its companies.

GENERAL

The Company has noted that the recent press reports speculating about the Possible Acquisition. The Company confirms that, save as disclosed in this announcement, it is not aware of any further developments concerning the Possible Acquisition. The Company will update Shareholders and potential investors of further developments by way of announcement as and when required.

The Company has further noted today's increase in the price and trading volume of its shares and wishes to state that, save as disclosed herein and in the Previous Announcements, it is not aware of any other reasons for such increase.

The Company also confirms that, save as disclosed herein and in the Previous Announcements, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

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

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Bid”	the bid made by PFH Holdings for and on behalf of the Company and Primus Investor in respect of the Possible Acquisition, the binding offer of which was submitted to the Seller on 28 August 2009
“Bidco”	an investment vehicle to be established or acquired and held by the Company and an affiliate of Primus for the purpose of the entering into the Sale and Purchase Agreement and holding the Nan Shan Shares
“Bidco Board”	the board of directors of Bidco
“Board”	the board of Directors
“Company”	China Strategic Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“Conditional Placing Agreement”	a conditional placing agreement dated 20 August 2009 entered into between the Company and Kingston Securities Limited in relation to the Placing
“Consortium Letter”	a consortium letter dated 2 September 2009 between the Company, PFH Holdings and Primus Investor

“Convertible Notes”	the non-interest bearing convertible redeemable notes, to be issued by the Company to independent placees procured by the Placing Agent of a principal amount of HK\$7,800,000,000 which are convertible into an aggregate of up to 78,000,000,000 Shares (subject to adjustment) at HK\$0.10
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Morse”	Mr. Robert R. Morse, a substantial shareholder and director of PFH Holdings
“Nan Shan”	Nan Shan Life Insurance Company, Ltd, a company incorporated under the laws of Taiwan and which is owned as to 97.57% by the Seller
“Nan Shan Shares”	the shares in Nan Shan representing 97.57% of the entire issued share capital of Nan Shan proposed to be sold by the Seller of the Nan Shan
“PFH Holdings”	PFH Holdings, Ltd., a general partner of Primus Investor and an affiliate of Primus
“Placing”	the placing of convertible notes of a principal amount of HK\$7,800,000,000 procured by Kingston Securities Limited to selected independent placees on the terms and subject to the conditions set out in the Conditional Placing Agreement

“Placing Agent”	Kingston Securities Limited, a licensed corporation which is licensed to carry on type 1 (dealing in securities) regulated activities for the purposes of the Securities and Futures Ordinance (Chapter 572 of the Laws of Hong Kong)
“Possible Acquisition”	the proposed acquisition of the Nan Shan Shares by the Company or a member of the Group
“Previous Announcements”	the announcements issued by the Company dated 8 June 2009, 29 July 2009 and 20 August 2009
“Primus”	Primus Financial Holdings Limited
“Primus Investor”	PFH Partnership Holdings, L.P., a limited partnership whose general partners are PFH Holdings and PFH GP, L.P. and an affiliate of Primus
“Sale and Purchase Agreement”	the definitive sale and purchase agreement to be entered into by the Company or a member of the Group in respect of the Possible Acquisition
“Seller”	American International Group, Inc.
“Shares”	ordinary shares of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	U.S. dollars, the lawful currency of the U.S.
“%”	per cent.

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

Hong Kong, 2 September 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.