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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)

Memorandum of Understanding on Proposed Subscription and Proposed Disposal

The Board is pleased to announce that on 17 November 2009, the Company entered into the MOU with Chinatrust in relation to the Proposed Subscription, Proposed Disposal and the Future Plans. Further announcements will be made by the Company regarding the Proposed Subscription and the Proposed Disposal as and when appropriate.

Shareholders of the Company and potential investors should note that the Proposed Subscription, Proposed Disposal and the Future Plans may or may not materialise, as the Transaction Documents have not been negotiated or executed between the parties and discussions are still in progress. Accordingly, shareholders of the Company and potential investors are advised to exercise caution when dealing in the Company's shares.

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

The Proposed Subscription, Proposed Disposal and the Future Plans

The board (the *Board*) of directors of China Strategic Holdings Limited (the *Company*, together with its subsidiaries, the *Group*) is pleased to announce that on 17 November 2009, the Company entered into a Memorandum of Understanding (the *MOU*) with Chinatrust Financial Holdings Co., Ltd (*Chinatrust*) pursuant to which the Company and Chinatrust agreed that, conditionally upon the completion of the share purchase agreement entered into by Primus Nan-Shan Holding Company Ltd. (*PNS*), a subsidiary of the Company, and American International Group, Inc. (*AIG*)

dated 13 October 2009 (the **PNS-AIG SPA**) in respect of the acquisition of approximately 97.57% of the issued and outstanding share capital of Nan Shan Life Insurance Company, Ltd. (南山人壽保險股份有限公司) (**Nan Shan**), the Company and Chinatrust will enter into the relevant transaction documentation (the **Transaction Documents**) and it is the intention of the Company and Chinatrust that the Transaction Documents will set out the terms and conditions for:

- (i) the subscription by the Company of 1,172,100,000 shares of common stock in Chinatrust (representing approximately 9.950% of the entire issued share capital of Chinatrust as at the date hereof) for an issue price of NT\$17.74 per share, which represents a discount of approximately 12.83% to the market price of Chinatrust shares as at 17 November 2009 (such subscription shares to be issued by way of a private placement) (the **Proposed Subscription**); and
- (ii) the sale by the Company and the purchase by Chinatrust of the number of shares of common stock in Nan Shan representing 30% of the entire issued and outstanding share capital of Nan Shan at a purchase price of approximately US\$660.01 million (the **Proposed Disposal**); and
- (iii) the future intention within three years from the signing of the MOU to enter into negotiations between the parties to increase the Company's shareholding in Chinatrust and to increase Chinatrust's shareholding in Nan Shan (the **Future Plans**), in each case, to the extent agreeable by the parties and permissible under the laws.

Together, the Proposed Subscription and the Proposed Disposal are referred to in this announcement as the **Proposed Transactions**.

Conditions

The Company and Chinatrust understand that in order to proceed with the Proposed Transactions, the following conditions must be met:

- (a) the due execution of the Transaction Documents;
- (b) no material adverse change having occurred to the business, operations and financial conditions of the parties following signing of the Transaction Documents and prior to the completion of the Proposed Transactions;
- (c) completion of the PNS-AIG SPA having occurred;
- (d) all regulatory and shareholders' approvals necessary for the Proposed Transactions having been obtained; and
- (e) the simultaneous completion of the Proposed Subscription and the Proposed Disposal.

It is the intention under the MOU that Chinatrust would (i) assume, in proportion to its shareholding in Nan Shan, all the rights and obligations under the PNS-AIG SPA and all related documents to which PNS or the Company is a party (the *NS Acquisition Documents*), which PNS enjoys from or owes to AIG and/or Nan Shan which remain in effect following completion of the PNS-AIG SPA, and (ii) also give to the Company and PNS, to be documented in the Transaction Documents, the same covenants as were made by the Company and PNS to AIG and Nan Shan in the NS Acquisition Documents.

Nan Shan's management

The majority of Nan Shan's directors will be nominated by the Company. Following completion of the Proposed Transactions, the chairman of the board of Nan Shan (the *Nan Shan Board*) will be nominated by the Company and the chief executive officer of Nan Shan, who shall report to the Nan Shan Board, will be nominated by Chinatrust. Each of the Company and Chinatrust will (and will cause its director nominees to) vote in favour of such nomination of chairman and chief executive officer of Nan Shan at the relevant board meetings.

Negotiation of the Transaction Documents

The Company and Chinatrust agree that they will, in accordance with the terms and conditions set out in the MOU and in good faith, use their respective reasonable endeavours to promptly enter into negotiations regarding the Transaction Documents after the execution of the MOU, with the intention that the execution of the Transaction Documents shall take place no later than ten days following completion of the PNS-AIG SPA. The Transaction Documents shall also include customary representations and warranties, shareholders' rights and protection (including, rights of first refusal for each party, and restrictions on dealing with the equity interests in Nan Shan and Chinatrust).

Termination

The MOU shall automatically terminate on the earlier of 25 June 2010 (or such later date as may be mutually agreed between the Company and Chinatrust) and the date of execution of the Transaction Documents.

If either the Company or Chinatrust reasonably believes that the Proposed Transactions cannot be completed prior to 25 June 2010, they have agreed in the MOU to further negotiate other alternative proposals.

The Proposed Transactions are subject to further negotiations. Accordingly, the terms of the Proposed Transactions as set out in this announcement may be amended during the course of negotiations.

To the best of the Board's knowledge, having made all reasonable enquiries, each of Chinatrust and its ultimate beneficial owners is a third party, which is independent of and not connected with the Company, any director of the Company, the chief executive officer or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules).

The Proposed Subscription, the Proposed Disposal and the Future Plans if they materialise, may constitute one or more notifiable transactions on the part of the Company under the Listing Rules.

Further announcements will be made by the Company regarding the Proposed Subscription, the Proposed Disposal and the Future Plans as and when appropriate in compliance with the Listing Rules.

The Company also notes the increase in the market price of its shares today. Other than the information contained in this announcement, the Company is not aware of any other reasons for the increase in the Company's share price today and the Company further confirms that there are currently no negotiations and it has not entered into any agreement relating to intended acquisitions or realizations of the Company which are discloseable under Rule 13.23 of the Listing Rules. The Board is also not aware of any matter discloseable under the general obligation imposed by Rule 13.09, which is or may be of a price-sensitive nature.

Shareholders of the Company and potential investors should note that the Proposed Subscription, Proposed Disposal and the Future Plans may or may not materialise, as the Transaction Documents have not been negotiated or executed between the parties and discussions are still in progress. Accordingly, shareholders of the Company and potential investors are advised to exercise caution when dealing in the Company's shares.

Made by the order of the Board, the Directors of which individually and jointly accept responsibility for the accuracy of this statement.

On behalf of the board of directors of
China Strategic Holdings Limited
Mr. Frederick Ma Si-Hang
Chairman

Hong Kong, 17 November 2009

As at the date of this announcement, the Board comprises Mr. Or Ching Fai, 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, Mr. Frederick Ma Si-Hang as a non-executive Director and Ms. Ma Yin Fan, Mr. Phillip Fei and Mr. Leung Hoi Ying as independent non-executive Directors.