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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)

CONNECTED TRANSACTIONS:

PAYMENT OF SERVICE FEES; OPTION DEEDS; AND CSH FACILITY AGREEMENT

INTRODUCTION

The Board wishes to announce that the Company has:

1. subject to approval of Independent Shareholders, agreed to pay the Service Fees under the Management Agreement to each of Mr. Morse and Mr. Ng;
2. entered into the Option Deeds on 26 February 2010 with each of the Optionholders in respect of the granting of Share Options, subject to Independent Shareholders' approval, to each of the Optionholders; and
3. entered into the CSH Facility Agreement on 26 February 2010 with the Purchaser in respect of the granting of a term loan facility by the Company to the Purchaser, subject to Independent Shareholders' approval,

(together, the above transactions are referred in this announcement as the ***Connected Transactions***).

PAYMENT OF SERVICE FEES

Reference is made to the VSA Announcement pursuant to which it was announced that, for services performed by each of Mr. Morse and Mr. Ng in connection with the Transactions and the preparation of the Bid, the Company has agreed in the Management Agreement that, subject to Acquisition Completion and, if required, the approval by Independent Shareholders at general meeting and/or the approval of the Stock Exchange, it will pay the Service Fees to Mr. Morse and Mr. Ng in equal shares and that the Purchaser will enter into the Employment Agreements with each of Mr. Morse and Mr. Ng in respect of terms and conditions of their employment with the Purchaser.

OPTION DEEDS

As further stated in the VSA Announcement, concurrently with and subject to Acquisition Completion and, if required, approval by Independent Shareholders at general meeting and/or the approval of the Stock Exchange, the Company will enter into the Option Deeds with each of Mr. Morse and Mr. Ng. Separately, the Company will also enter into Option Deeds with each of Mr. Or and Mr. Ma.

The Board is now pleased to announce that the Company has, on 26 February 2010, entered into the Option Deeds with each of the Optionholders. The terms of their respective Option Deeds are subject to the conditions prescribed in the section headed "Option Deeds" below.

CSH FACILITY AGREEMENT

The Board is further pleased to announce that a term loan facility agreement (the *CSH Facility Agreement*) has been entered into on 26 February 2010 between the Company and the Purchaser, pursuant to which the Company will grant, subject to approval of the Independent Shareholders, a term loan facility to the Purchaser, prior to Acquisition Completion, for the purposes of satisfying the Purchaser's payment obligations under the Share Purchase Agreement and other obligations of the Purchaser in respect of the Acquisition and Nan Shan, subject to the terms and conditions contained therein.

The Board has approved the Connected Transactions and believes that they are fair and reasonable and in the best interests of the Company and the Shareholders.

LISTING RULES IMPLICATIONS OF THE TRANSACTION

Payment of Service Fees and Option Deeds

The payment of the Service Fees and the entering into of the Option Deeds will constitute connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules which will require approval of the Independent Shareholders.

In addition, the grant of the Share Options to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma pursuant to the Option Deeds must comply with the requirements under Chapter 15 of the Listing Rules. Accordingly, the terms of the Option Deeds and the grant of the Share Options must be approved by the Stock Exchange and by the Shareholders in general meeting, subject to the requirements under Chapter 15 of the Listing Rules. As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no member of the Primus Investor Group and neither PFH Holdings, Mr. Morse, Mr. Ng or Mr. Or is a Shareholder.

CSH Facility Agreement

As at the date of this announcement, the Purchaser is a non-wholly owned subsidiary of the Company and which is 20% beneficially-held by PFH Holdings. As of the date of this announcement, PFH Holdings is beneficially-held as to more than 50% by Mr. Morse and Mr. Ng in aggregate. Both Mr. Morse and Mr. Ng are connected persons of the Company by virtue of being directors of the Purchaser (and in the case of Mr. Morse, by becoming a Director upon Acquisition Completion). Accordingly, the Purchaser will constitute a connected person of the Company by virtue of Rule 14A.11(5) of the Listing Rules as it is a non-wholly owned subsidiary of the Company whose connected persons are together entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Purchaser. As such, the provision of a term facility loan by the Company to the Purchaser in the form of the CSH Facility will constitute a connected transaction for the purpose of Rule 14A.13(2) of the Listing Rules. Given the size of the CSH Facility exceeds each of the de minimis ratios under Rule 14A.31(2) of the Listing Rules, the CSH Facility will therefore be subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A.17 of the Listing Rules.

The Board is pleased to announce that the Company has:

1. subject to approval of Independent Shareholders, agreed to pay the Service Fees under the Management Agreement to each of Mr. Morse and Mr. Ng;
2. entered into the Option Deeds on 26 February 2010 with each of the Optionholders in respect of the granting of Share Options, subject to Independent Shareholders' approval, to each of the Optionholders; and
3. entered into the CSH Facility Agreement on 26 February 2010 with the Purchaser in respect of the granting of a term loan facility by the Company to the Purchaser, subject to Independent Shareholders' approval.

PAYMENT OF SERVICE FEES

As stated in the VSA Announcement, for services performed by each of Mr. Morse and Mr. Ng in connection with the Transactions and the preparation of the Bid, the Company has agreed in the Management Agreement that, subject to Acquisition Completion and, if required, the approval by Independent Shareholders at general meeting and/or the approval of the Stock Exchange, it will pay the Service Fees to Mr. Morse and Mr. Ng in equal shares and that the Purchaser will enter into Employment Agreements with each of Mr. Morse and Mr. Ng in respect of terms and conditions of their employment with the Purchaser.

Reasons for payment of Service Fees

The payment of Service Fees to Mr. Morse and Mr. Ng was primarily due to the following reasons:

- (i) The entire bidding process was conducted in a closed manner and only qualified investors were invited by the Seller to submit a bid for the acquisition of Nan Shan. Both Mr. Morse and Mr. Ng have been long term veterans within the financial industry and they have established a broad network of relationships across the financial sector, and were therefore two of the few qualified investors invited by the Seller to submit the bid.
- (ii) Mr. Morse and Mr. Ng had provided the Group with the access and opportunity to take part in the Acquisition. They had demonstrated their knowledge and experience in the financial sector and assisted the Company in the preparation and submission of the relevant bidding documentations. Further, Mr. Morse and Mr. Ng had also leveraged on their relationships with the Seller and relevant parties in facilitating the overall communications throughout the different stages of the Acquisition.

Having considered the benefits of the Acquisition Completion; that the services performed by Mr. Morse and Mr. Ng is an important element which will contribute to the success of the Acquisition Completion and the payment of the Service Fees will be subject to, among other things, the Acquisition Completion; and that the price and volume of the Shares appeared to react positively since the announcement of the Acquisition and the payment of the Service Fees, the Directors are of the view that the payment of the Service Fees is on normal commercial terms and consider the payment of the Service Fee to Mr. Morse and Mr. Ng in equal shares is fair and reasonable and is in the interest of the Shareholders of the Company as a whole.

OPTION DEEDS

As stated in the VSA Announcement, concurrently with and subject to Acquisition Completion and, if required, approval by Independent Shareholders at general meeting and/or the approval of the Stock Exchange, the Company will enter into Option Deeds with each of Mr. Morse and Mr. Ng. Separately, the Company will also enter into Option Deeds with each of Mr. Or and Mr. Ma.

The Board is now pleased to announce that the on 26 February 2010, the Company entered into, with each of the Optionholders, their respective Option Deeds which are subject to the conditions prescribed under paragraph (c) below. The key terms of each of the Option Deeds are as follows:

(a) Number of Share Options to be granted

The Company agreed to grant to each of the Optionholders the following number of Share Options exercisable at the Exercise Price:

Director	Share options
Mr. Morse	Such number of Share Options representing 3,200 million Shares in the Company when exercised
Mr. Ng	Such number of Share Options representing 3,200 million Shares in the Company when exercised
Mr. Or	Such number of Share Options representing 600 million Shares in the Company when exercised
Mr. Ma	Such number of Share Options representing 100 million Shares in the Company when exercised

(b) Consideration

The consideration payable by each of the Optionholders for the grant of the Share Options is HK\$1.00.

(c) *Conditions*

The grant of the Share Options in each Option Deed is conditional on:

- the approval by the Stock Exchange of the grant of the Share Options, if required;
- the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Option Shares upon the exercise of the Share Options;
- the approval by the Independent Shareholders of the grant of the Share Options, together with the issue of the Option Shares upon exercise of the Share Options pursuant to the Option Deeds, if required;
- Acquisition Completion; and
- such grant of the Share Options not resulting in the aggregate shareholdings of the Optionholders in the Company (assuming full exercise of the Share Options) exceeding 10% of the Company's entire issued share capital at the time of grant.

Each of the Option Deeds shall automatically terminate and be of no effect and neither party shall have any claim against the other in the event that the above conditions are not fulfilled by the Long Stop Date, or such later date as the Company and each of the Optionholders may agree.

The Share Options to be granted pursuant to the Option Deeds will be granted in accordance with the requirements under Chapter 15 of the Listing Rules.

(d) *Vesting*

The Share Options will vest and become exercisable in the following manner:

Timing of the vesting of the Share Options	Amount of Share Options to be vested and exercised by each of Mr. Morse and Mr. Ng	Amount of Share Options to be vested and exercised by Mr. Or	Amount of Share Options to be vested and exercised by Mr. Ma
On the date which is one month after the grant of their respective Share Options	Such number of Share Options representing 640,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 120,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 20,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period
On a date which is 12 months after the grant of their respective Share Options	Such number of Share Options representing 640,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 120,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 20,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period
On a date which is 24 months after the grant of their respective Share Options	Such number of Share Options representing 640,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 120,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 20,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period

Timing of the vesting of the Share Options	Amount of Share Options to be vested and exercised by each of Mr. Morse and Mr. Ng	Amount of Share Options to be vested and exercised by Mr. Or	Amount of Share Options to be vested and exercised by Mr. Ma
On a date which is 36 months after the grant of their respective Share Options	Such number of Share Options representing 640,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 120,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 20,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period
On a date which is 48 months after the grant of their respective Share Option	Such number of share options representing 640,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 120,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period	Such number of Share Options representing 20,000,000 shares in the Company which shall be exercisable for a period from the date such Share Options are vested until the expiry of the Option Period

Notwithstanding the above vesting schedule, the Share Options held by each of the Optionholders shall fully and automatically vest and become exercisable immediately upon the occurrence of any of the following events:

- (i) an initial public offering with respect to the Purchaser or Nan Shan on any stock exchange or in any place;
- (ii) the death or permanent disability of Mr. Morse, Mr. Ng, Mr. Or or Mr. Ma (as the case may be) during the term of their respective employment with the Purchaser (in the case of Mr. Morse and Mr. Ng) and directorship in the Company (in the case of Mr. Or and Mr. Ma);
- (iii) the termination without cause of Mr. Morse, Mr. Ng, Mr. Or or Mr. Ma's (as the case may be) employment with the Purchaser (in the case of Mr. Morse and Mr. Ng) and directorship in the Company (in the case of Mr. Or and Mr. Ma); or
- (iv) resignation by Mr. Morse, Mr. Ng, Mr. Or or Mr. Ma (as the case may be) from his employment with the Purchaser (in the case of Mr. Morse and Mr. Ng) and from his directorship with the Company (in the case of Mr. Or and Mr. Ma) for good reasons,

provided that in relation to the events set out in (ii), (iii) and (iv) above, Mr. Morse, Mr. Ng, Mr. Or or Mr. Ma (as the case may be) no longer holds any management role (including as a chairman or vice-chairman (as the case may be) or chief executive officers or a co-chief executive officer (as the case may be)) or any directorship of the Purchaser or the Company (as the case may be).

(e) *Exercise Period*

Upon vesting as described above, the Share Options may be exercised for the remaining period until the expiry of the Option Period.

(f) *Exercise of the Share Options*

Subject to the above conditions, the Share Options may be exercised during the Exercise Period by serving a Share Option exercise notice to the Company together with the Exercise Price payable.

(g) *The Exercise Price*

The Exercise Price is HK\$0.10 per Share. The Exercise Price was arrived at after arm's length negotiations between the Company and each of the Optionholders. The Exercise Price was determined after consideration of a number of factors, including the appropriate reward to be awarded to the Optionholders to incentivise them to join the Group and maintain their performance in the Group for five years following Acquisition Completion, the potential enhancement in Shareholders' value and benefits to Shareholders of their continued employment or appointments upon Acquisition Completion given the expertise and experience each of them have in the financial services sector. The Board also took into consideration the Conversion Price, the Share Placing Price and the need to attract valuable personnel to the Group for the management and development of Nan Shan in determining the Exercise Price.

In view of the factors stated above, the Directors are of the view that the grant of the Share Options to the Optionholders at the Exercise Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

(h) *Option Shares*

The Option Shares, when issued and allotted, shall rank pari passu in all respects among themselves and with all other Shares in issue on the date of the issue and allotment of the Option Shares and will accordingly entitle each of the Optionholders to participate in full in all dividends or other distributions paid or made on the Shares on or after the relevant day on which the Share Options are duly exercised other than any dividend or other distribution previously declared,

or recommended or resolved to be paid or made if the record date therefor shall be before the relevant exercise date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant exercise date. The Option Shares will be issued under the Specific Mandate.

(i) *Completion*

Subject to fulfilment of the conditions as detailed above and the vesting and exercise of the Share Options by any of the Optionholders within the Exercise Period, completion shall take place at the principal office of the Company in Hong Kong (or such other place as agreed between the Company and Mr. Morse, Mr. Ng, Mr. Or and/or Mr. Ma, as the case may be) on the date specified for completion in the exercise notice when the Company will:

- duly allot and issue the Option Shares to Mr. Morse, Mr. Ng, Mr. Or and/or Mr. Ma, as the case may be;
- deliver the share certificates in respect of the Option Shares to Mr. Morse, Mr. Ng, Mr. Or and/or Mr. Ma, as the case may be; and
- register Mr. Morse, Mr. Ng, Mr. Or and/or Mr. Ma, as the case may be, as a member of the Company in respect of the Option Shares.

(j) *Lapse of Share Options*

A Share Option shall lapse automatically (to the extent not already vested, or if vested but not exercised) on the earlier of:

- the expiry of the Option Period; or
- the date on which:
 - Mr. Morse, Mr. Ng, Mr. Or or Mr. Ma (as the case may be) resigns or terminates his employment with the Purchaser other than for good reason (in the case of Mr. Morse and Mr. Ng) and resigns or terminates his directorship with the Company other than for good reason (in the case of Mr. Or and Mr. Ma); or
 - The Purchaser or the Company (as the case may be) terminates the employment or appointment of Mr. Morse, Mr. Ng, Mr. Or or Mr. Ma (as the case may be) for cause.

(k) *Rights to participate in distributions and/or offers of further securities*

None of the Optionholders has any rights under their respective Option Deeds to participate in any distributions and/or offers of further securities made by the Company before they exercise the Share Options.

(l) *Transfer or transmission of the Share Options*

The benefit of the Option Deeds (including but not limited to the Share Options) shall not be assignable in whole or in part.

(m) *Winding up of the Company*

If an effective resolution is passed during the Option Period for the voluntary winding-up of the Company, then:

- if such winding-up be for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which Mr. Morse, Mr. Ng, Mr. Or or Mr. Ma (as the case may be) as holder of the Share Options shall be a party or in conjunction with which a proposal is made to Mr. Morse, Mr. Ng, Mr. Or or Mr. Ma (as the case may be), the terms of such scheme of arrangement or proposal (as the case may be) shall be binding on each of them if the scheme of arrangement or proposal is approved by the requisite majority of the relevant securities holders of the Company in accordance with any applicable laws, rules and/or regulations; and
- in any other case, Mr. Morse, Mr. Ng, Mr. Or or Mr. Ma (as the case may be) shall be entitled at any time within six weeks after the passing of such resolution for the voluntary winding-up of the Company by service of an exercise notice, together with payment of the exercise price, to elect to be treated as if it had immediately prior to the commencement of such winding-up exercised the Share Options to the extent specified in the exercise notice and had on such date been the holder of Shares to which he would have become entitled pursuant to such exercise and the Company and the liquidator of the Company shall give effect to such election accordingly. The Company shall give notice to Mr. Morse, Mr. Ng, Mr. Or or Mr. Ma (as the case may be) of the passing of any such resolution within seven days after the passing thereof and such notice shall contain a reminder to Mr. Morse, Mr. Ng, Mr. Or or Mr. Ma (as the case may be) with respect to its rights under this paragraph.

Subject to the foregoing, if the Company is voluntarily wound up, the Share Options, in so far as not exercised, shall lapse.

In the case of a non-voluntary winding-up of the Company, the Share Options, in so far as not exercised, shall lapse on an order having been made by the court for winding-up of the Company.

(n) *Reorganisation of Capital Structure*

If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount whilst any Share Option is able to be vested or remains exercisable, (i) the Exercise Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount and (ii) the number of Option Shares (subject to the Share Options so far as unexercised) in force immediately prior thereto shall be adjusted by multiplying it by the former nominal amount and dividing the result by the revised nominal amount provided that no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.

Save as provided above, there are no other adjustments which can be made to the Exercise Price or the number of Option Shares in the event of alteration in the capital structure of the Company.

Reasons for entering into the Option Deeds

The Company will seek Shareholders' approval for the Acquisition. The Board is of the view that it is important to ensure (a) the success of the completion of the Acquisition and (b) the continuing management and development of Nan Shan following Acquisition Completion that the Optionholders join the Group's management team. In respect of the Acquisition, Mr. Morse and Mr. Ng have been closely involved in the negotiations with the Seller and in conjunction with Mr. Or, they have developed strong communication with Nan Shan's management team which the Board believes are vital to the transition process and also the continuing development and management of Nan Shan following Acquisition Completion. The Board also expects Mr. Morse, Mr. Ng and Mr. Or to play a key role in obtaining the relevant regulatory approvals in Taiwan and in communicating with the Taiwanese regulators in this regard. Accordingly, the Board is of the view that the Share Options to be granted to each of the Optionholders appropriately incentivise and reward each of them in the performance of their roles in the Company, Nan Shan and the Purchaser. The Board also notes that the vesting schedule of the Share Options is linked directly with Acquisition Completion and the employment or appointments of

each of the Optionholders (as the case may be) with the Group for the next five years following Acquisition Completion. Accordingly, the Board is of the view that the Share Options appropriately align the interest of Shareholders with the performance of each of the Optionholders in the Company, Nan Shan and the Purchaser.

The Directors (including independent non-executive Directors) are of the view that the terms of the Option Deeds, which were arrived at after arm's length negotiations between the Company and each of the Optionholders, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CSH FACILITY AGREEMENT

The Board is pleased to announce that on 26 February 2010, the Company has entered into the CSH Facility Agreement with the Purchaser, pursuant to which, subject to the approval of the Independent Shareholders, the Company will grant a term loan facility to the Purchaser, prior to Acquisition Completion, for the purposes of satisfying the Purchaser's payment obligations under the Share Purchase Agreement and other obligations of the Purchaser in respect of the Acquisition and Nan Shan, subject to the terms and conditions contained therein.

The principal terms of the CSH Facility Agreement are as follows:

Date:	26 February 2010
Lender:	China Strategic Holdings Limited
Borrower:	Purchaser
Nature and Facility Limit:	An unsecured term loan facility in an aggregate principal amount of up to HK\$5.3 billion (the <i>Loan</i>).
Final Maturity Date:	A date falling upon the expiry of 3 years from the date of the CSH Facility Agreement (the <i>Final Maturity Date</i>).
Renewal:	The CSH Facility shall automatically be renewable for a further term of three years upon its maturity subject to compliance with the relevant provisions of the Listing Rules.

Conditions Precedent: The obligation of the Company to make the CSH Facility available to the Purchaser (upon and subject to the terms and conditions set out therein) are conditional upon the following:

- (a) the Company having received and found satisfactory all relevant loan documentation unless waived by the Company, whether in whole or in part; and
- (b) the Company having obtained Independent Shareholders' approval on the CSH Facility in compliance with the Listing Rules (if applicable); and
- (c) due and proper completion of (i) the CN Placing and (ii) the placing of the Placing Shares.

The Company may at its absolute discretion waive conditions (a) and (c) above, in whole or in part.

Repayment: Voluntary Repayment

- (a) The Purchaser may on any business day before the Final Maturity Date repay in whole or in part the aggregate amount of the drawings on the CSH Facility due and owing to the Company constituting the Loan by giving at least 7 business day's (being a day (excluding Saturday) on which banks in Hong Kong are generally open for business for the purpose of the CSH Facility) prior written notice (unless waived by the Company).
- (b) Any amount repaid shall not be re-borrowed.

Mandatory Repayment

The total amount of the Loan outstanding and all other sums payable under the CSH Facility shall be fully repaid on the Final Maturity Date.

Interest: No interest is payable in respect of the CSH Facility.

Termination of Facility: Notwithstanding any other provision in the CSH Facility Agreement or any other document, the CSH Facility shall be subject to the Company's review from time to time and decision to renew. The Company nevertheless reserves the right to terminate the CSH Facility at any time by notice to the Purchaser in writing and after any such termination the CSH Facility shall immediately cease to be available for any further transactions thereunder. Furthermore and notwithstanding any other provision of this letter or any other document, upon the Company terminating the CSH Facility or advising the Purchaser in writing that the CSH Facility will not be renewed, all amounts then outstanding under the CSH Facility and any other sums for which the Purchaser is actually or contingently liable under the CSH Facility shall be immediately due and payable without further notice from the Company.

Indemnities: The Purchaser shall indemnify the Company against all losses, liabilities, damages, costs and expenses incurred by it in the execution and performance of any of the terms and conditions of the CSH Facility Agreement and against all action, proceedings, claims, demands, costs, charges, losses, liabilities and expenses which may be incurred, sustained or arise in respect of the non-performance or non-observance of any of the undertakings and agreements on the part of the Purchaser contained in the CSH Facility or in respect of any breach of the representations and warranties given by the Purchaser in the CSH Facility Agreement.

Reasons for entering into the CSH Facility Agreement

The Directors consider that it is in the best interest of the Company and the Shareholders as a whole to provide the CSH Facility to the Purchaser. Completion of the CN Placing and Share Placing (assuming all Placing Shares are placed), will together, raise net proceeds of approximately HK\$11,560 million (or equivalent to approximately US\$1,482 million) of which approximately HK\$9,422.4 million (or equivalent to approximately US\$1,208 million) will be used to fund the Company's obligation to pay its proportion of the Purchase Price. The remainder of approximately HK\$2,137.6 million (or equivalent to approximately US\$274 million) is anticipated to be deposited into commercial bank accounts at a current interest rate of approximately 0.4% per annum.

The opportunity costs of the Primus Investor Group is expected to be higher than the interest income which the Company expects to generate from the remainder of the net proceeds.

Accordingly, after further discussion among the Directors, they are of the view that cooperation between the Company and the Primus Investor Group is strategic and critical to the Company's future diversification of its business, income and asset base. In particular, given the expertise of the Primus Investor Group and the Company's vision to acquire and grow an Asia-based financial services platform, the Directors believe that it would be in the best interest of the Company and the Shareholders to maintain a long-term cooperative relationship with the Primus Investor Group. As such, the Directors believe that it would be in the best interest of the Company to provide a shareholders' loan to the Purchaser to fund a portion of the Purchase Price (and thereby reducing the amount of equity which the Primus Investor Group will need to contribute). The equity contribution structure for the Acquisition and the shareholding structure of the Purchaser were agreed in the Management Agreement and determined having regard to factors such as the facilitation of the Bid process (including the negotiation process of the Share Purchase Agreement with the Seller) and expectations of the Taiwan regulatory authorities in respect of the approval of the Acquisition. The Directors are therefore of the view that any changes to the shareholding structure of the Purchaser may have a negative impact on the success of Acquisition Completion.

INFORMATION ON THE COMPANY

The Company was incorporated on 22 September 1972 under the laws of Hong Kong. The Company's shares are listed on the main board of the Stock Exchange. The Company is principally engaged in the manufacturing and trading of battery products and related accessories and investments in securities and advance.

INFORMATION ON THE PURCHASER

The Purchaser was incorporated on 24 August 2009 as an exempted company with limited liability under the laws of the Cayman Islands. Other than the activities relating to the submission of the Bid, the signing of the Share Purchase Agreement and the arrangement of the Debt Financing, the Purchaser has not engaged in any other business activities since its establishment.

IMPLICATIONS OF THE LISTING RULES

Payment of Service Fees and the Option Deeds

The payment of the Service Fees and the entering into of the Option Deeds will constitute connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules which will require approval of the Independent Shareholders. In addition, the grant of the Share Options to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma pursuant to the Option Deeds must comply with the requirements under Chapter 15 of the Listing Rules. Accordingly, the terms of the Option Deeds and the grant of the Share Options must be approved by the Stock Exchange and by Independent Shareholders in a general meeting, subject to the requirements under Chapter 15 of the Listing Rules.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no member of the Primus Investor Group and neither PFH Holdings, Mr. Morse, Mr. Ng nor Mr. Or is a Shareholder. As Mr. Ma is deemed to be interested in 3,000,000 shares in the Company by virtue of being the settlor and a beneficiary of a discretionary trust for the purpose of Part XV of the SFO and, given that his interest in the Option Deed to which he is a party would be materially different from the other Shareholders, Mr. Ma will abstain from voting (and will instruct the trustee of such discretionary trust to abstain from voting) at the EGM in respect of the resolution to approve the Acquisition, the Option Deed to which he is a party and the Specific Mandate to issue those Option Shares to be granted to him.

CSH Facility Agreement

As at the date of this announcement, the Purchaser is a non-wholly owned subsidiary of the Company and which is 20% beneficially-held by PFH Holdings. As at the date of this announcement, PFH Holdings is beneficially-held as to more than 50% by Mr. Morse and Mr. Ng in aggregate. Both Mr. Morse and Mr. Ng are connected persons of the Company by virtue of being directors of the Purchaser (and in the case of Mr. Morse, by becoming a Director upon Acquisition Completion). Accordingly, the Purchaser will constitute a connected person of the Company by virtue of Rule 14A.11(5) of the Listing Rules as it is a non-wholly owned subsidiary of the Company whose connected persons are together entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Purchaser. As such, the provision of a shareholders' loan by the Company to the Purchaser in the form of the CSH Facility will constitute a connected transaction for the purpose of

Rule 14A.13(2) of the Listing Rules. Given the size of the CSH Facility exceeds each of the de minimis ratios under Rule 14A.31(2) of the Listing Rules, the CSH Facility will therefore be subject to the reporting, announcement and independent shareholders' approval requirements under Rule 14A.17 of the Listing Rules.

Sharing of expenses incurred in respect of the Transactions under the Management Agreement

Notwithstanding that the Purchaser will constitute a connected person of the Company by virtue of Rule 14A.11(5) of the Listing Rules, after further discussions among the Directors, on the basis of the following, the Directors are of the view that the sharing of expenses under the Management Agreement is not a connected transaction based on the following:

- the expenses incurred in respect of the Transactions are to be shared on a pro rata basis in accordance with the Company and the Primus Investor Group's shareholding in the Purchaser; and
- the arrangements involve cross-reimbursements of the respective party's expenses incurred on a cost basis.

EXTRAORDINARY GENERAL MEETING

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Connected Transactions. The Independent Board Committee comprising all the independent non-executive Directors was formed to advise the independent shareholders on, among other things, the Connected Transactions and an independent financial adviser has been appointed to advise the Independent Board Committee and the independent shareholders on the Connected Transactions.

GENERAL

A circular containing, among other things, further details of the Connected Transactions and other disclosures as required by the Listing Rules, the letter from the independent financial adviser to the Independent Board Committee and the Independent Shareholders and the recommendation from the Independent Board Committee together with the notice of the EGM will be dispatched to the Shareholders in due course.

DEFINITIONS

In this announcement, the following expressions have the meanings as set out below unless the context requires otherwise:

“Acquisition”	the acquisition of 767,893,139 shares of common stock of Nan Shan (which represent approximately 97.57% of the issued and outstanding share capital of Nan Shan) by the Purchaser
“Acquisition Completion”	completion of the Acquisition in accordance with the terms of the Share Purchase Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bid”	the bid made by Primus Financial Holdings Limited for and on behalf of the Company and Primus Investor in respect of the Acquisition, the binding offer of which was submitted to the Seller on 28 August 2009 and the Share Purchase Agreement entered into on 13 October 2009
“Board”	the board of Directors
“CN Placing”	means the placing of the convertible notes in an aggregate principal amount of HK\$7,800 million, details of which were disclosed in the announcement of the Company dated 20 August 2009
“Company”	China Strategic Holdings Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	HK\$0.10, subject to adjustment
“Conversion Shares”	those Shares to be issued upon the exercise of the conversion rights under the convertible notes, namely, a maximum of 78,000 million Shares, in aggregate, falling to be issued upon exercise of the conversion rights attached to the convertible notes at the initial Conversion Price in full (subject to adjustment), details of which were disclosed in the announcement of the Company dated 20 August 2009

“CSH Facility”	a term loan facility of up to HK\$5,300 million (or approximately US\$680 million) to be granted by the Company to the Purchaser after the date of this announcement and prior to Acquisition Completion for the purposes of satisfying the Purchaser’s payment obligations under the Share Purchase Agreement and other obligations of the Purchaser in respect of the Acquisition and Nan Shan, subject to the terms and conditions therein
“Debt Financing”	up to the NT\$ equivalent of US\$700 million (not exceeding NT\$24,000 million) debt financing as described in the VSA Announcement
“Director(s)”	director(s) of the Company
“Disclosure Letter”	the disclosure letter dated the date of the Share Purchase Agreement addressed to the Purchaser from the Seller
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Connected Transactions
“Employment Agreements”	the employment agreements dated 26 February 2010 entered into between each of Mr. Morse and Mr. Ng on the one part and the Purchaser on the other part in respect of the terms of employment of each of Mr. Morse and Mr. Ng with the Purchaser
“Escrow Agent”	Citibank N.A., Hong Kong branch
“Escrow Agreement”	the escrow agreement entered into between the Seller, the Purchaser and the Escrow Agent in respect of the appointment of the Escrow Agent, the establishment of the escrow account and the holding in escrow of the Escrow Amount
“Exercise Period”	the period during which the Share Options shall remain exercisable after being vested as described in the section headed “Option Deeds — (e) Exercise Period” in this announcement
“Exercise Price”	the exercise price of the Share Options at HK\$0.10 per Share

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	independent committee of the Board comprises of Ms. Ma Yin Fan, Mr. Phillip Fei and Mr. Leung Hoi Ying, all of whom are independent non-executive Directors, formed to advise the Shareholders as to, among others, the Connected Transactions
“Independent Shareholders”	all Shareholders, except when used in relation to those Share Options to be granted to Mr. Ma, the term shall mean all Shareholders other than Mr. Ma and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	12 July 2010, being the date which is nine months after the date of the Share Purchase Agreement
“Management Agreement”	the management agreement dated 12 October 2009 between the Company, the Purchaser, Primus Investor, PFH Holdings, Mr. Morse and Mr. Ng pursuant to which the parties thereto agreed, among other things, the structure of the Purchaser Board, the sharing of expenses, the payment of the Service Fees and the appointment of Mr. Morse and Mr. Ng as co-chief executive officers of the Purchaser
“Mr. Ma”	Mr. Frederick Ma Si-Hang
“Mr. Morse”	Mr. Robert R. Morse
“Mr. Ng”	Mr. Wing Fai Ng
“Mr. Or”	Mr. Or Ching Fai
“Nan Shan”	Nan Shan Life Insurance Company, Ltd.

“Option Deeds”	the option deeds dated 26 February 2010 entered into between the Company and each of the Optionholders in respect of the granting of their respective Share Options and each an “Option Deed”
“Option Period”	the respective periods between the date of grant of the respective Share Options to each of the Optionholders and the date which is five years from the Acquisition Completion Date
“Option Shares”	an aggregate of 7,100 million Shares to be issued to the Optionholders when exercised in accordance with the terms and conditions set out in the Option Deeds at the Exercise Price
“Optionholders”	Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma
“PFH Holdings”	PFH Holdings Ltd., a company incorporated in the Cayman Islands with limited liability
“Placing Shares”	up to a maximum of 40,000 million new Shares to be placed through the Share Placing Agent pursuant to the conditional share placing agreement, details of which were disclosed in the VSA Announcement
“Primus Investor”	PFH Partnership Holdings, L.P., a limited partnership whose general partner is PFH GP, L.P. of which the general partner is PFH Holdings, and is an affiliate of Primus Financial Holdings Limited
“Primus Investor Group”	Primus Investor together with its affiliate parallel and co-invest vehicles
“Purchaser”	Primus Nan-Shan Holding Company Limited
“Purchaser Board”	the board of directors of the Purchaser
“Purchase Price”	US\$2,146,588,190
“Seller”	American International Group, Inc.

“Service Fees”	service fees of US\$7.5 million payable to each of Mr. Morse and Mr. Ng on the date that is three months from the date of Acquisition Completion for services performed by each of Mr. Morse and Mr. Ng in connection with the Transactions and the preparation of the Bid
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Share Options”	such number of share options to be granted by the Company to each of the Optionholders representing the number of Shares as set out in the section headed “Option Deeds — (a) Number of Share Options to be granted” in this announcement when exercised in accordance with the terms and conditions set out in their respective Option Deeds
“Share Placing”	means the placing of up to a maximum of 40,000,000,000 new shares of the Company, details of which were disclosed in the VSA Announcement
“Share Placing Agent”	Kingston Securities Limited
“Share Placing Price”	HK\$0.10 per share
“Share Purchase Agreement”	means the definitive share purchase agreement entered into by the Purchaser and the Seller and dated 13 October 2009 in respect of the Acquisition
“Shareholder(s)”	the holder(s) of the Shares
“Specific Mandate”	the authority to issue and allot such amount of Conversion Shares, Placing Shares (assuming full placement of the Placing Shares) and Option Shares equal to an amount up to HK\$12,510 million divided by HK\$0.10 per Share pursuant to the Shareholders’ resolutions to be proposed at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“Tax Covenant”	the tax covenant dated 13 October 2009 between the Seller and Purchaser in respect of the tax liabilities of Nan Shan incurred prior to Acquisition Completion
“Transactions”	the transaction contemplated under the Transaction Documents
“Transaction Documents”	collectively, the Share Purchase Agreement, the Disclosure Letter, the Tax Covenant and the Escrow Agreement
“VSA Announcement”	the announcement dated 10 November 2009 and issued by the Company headed “(1) Very Substantial Acquisition; (2) China Strategic Undertaking; (3) Debt Financing to Finance the Acquisition; (4) Proposed Placing of Convertible Notes under Specific Mandate; (5) Proposed Placing of Shares under Specific Mandate; (6) Connected Transactions; Management Agreement; (7) Appointment of Directors; and (8) Resumption of Trading”
“%”	per cent.

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

Hong Kong, 26 February 2010

As at the date of this announcement, the Board comprises Mr. Or Ching Fai, Ms. Chiu Ching Ching, Mr. Yau Wing Yiu, 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.