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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Strategic Holdings Limited (the "Company"), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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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)

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE; (II) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE; AND (III) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company



英皇融資有限公司
Emperor Capital Limited

Underwriter to the Rights Issue and
Placing Agent to the Placing



英皇證券(香港)有限公司
Emperor Securities Limited

Sub-underwriter to the Rights Issue and
sub-placing agent to the Placing



結好證券有限公司
GET NICE SECURITIES LIMITED

Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders

VEDA | CAPITAL
智略資本

Capitalized terms used in this cover have the same meanings as those defined in this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Tuesday, 21 July 2015. Dealings in the Rights Shares in their nil-paid form will take place from Friday, 31 July 2015 to Friday, 7 August 2015 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or waived (as applicable) at or before 4:00 p.m. on Monday, 17 August 2015 (or such later time as the Company and the Underwriter may agree), the Rights Issue will not proceed. Any persons contemplating dealings in the Shares prior to the date on which the conditions of the Rights Issue are fulfilled or waived (as applicable), and/or dealings in the nil-paid Rights Shares, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed.

A letter of advice from Veda Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 28 to 41 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 27 of this circular.

The Underwriting Agreement in respect of the Rights Issue contains provisions entitling the Underwriter by notice in writing to the Company to terminate the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out in the section headed "TERMINATION OF THE UNDERWRITING AGREEMENT" on pages ii to iii of this circular.

A notice convening the EGM to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 17 July 2015 at 10:30 a.m. is set out on pages 62 to 64 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the share registrar of the Company in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish, and in such case, the form of proxy previously submitted by such member(s) shall be deemed to be revoked.

29 June 2015

CONTENTS

	<i>Page</i>
TERMINATION OF THE UNDERWRITING AGREEMENT	ii
DEFINITIONS	1
EXPECTED TIMETABLE	6
LETTER FROM THE BOARD	8
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	27
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	28
APPENDIX I — FINANCIAL AND OTHER INFORMATION OF THE GROUP	42
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP	46
APPENDIX III — GENERAL INFORMATION	52
NOTICE OF EGM	62

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination,

- (A) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
- (1) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever after the signing of the Underwriting Agreement;
 - (2) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring after the signing of the Underwriting Agreement or continuing after the signing of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;
 - (3) any material adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of any member of the Group;
 - (4) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurred after the signing of the Underwriting Agreement;
 - (5) after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in securities generally or the Company's securities on the Stock Exchange whether due to exceptional financial circumstances or otherwise;

which event or events is or are in the absolute opinion of the Underwriter:

- (a) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole; or
 - (b) likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or
 - (c) make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue; or
- (B) any breach of any of the warranties or undertakings or any omission to observe any of the obligations or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (C) any Specified Event comes to the knowledge of the Underwriter,

TERMINATION OF THE UNDERWRITING AGREEMENT

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Upon giving of notice pursuant to the Underwriting Agreement, all obligations of the parties under the Underwriting Agreement shall terminate forthwith (without prejudice to the rights of any party in respect of antecedent breach) provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 20 May 2015 in relation to the Rights Issue and the Placing
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Best Effort Placing Shares”	up to 3,500,000,000 Placing Shares other than the Underwritten Placing Shares
“Board”	the board of Directors, from time to time
“Business Day(s)”	any day (excluding Saturdays and Sundays and any day on which a tropical cyclone warning signal No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	China Strategic Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company, from time to time
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such usual form as may be agreed between the Company and the Underwriter
“EGM”	the extraordinary general meeting of the Company to be convened at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 17 July 2015 at 10:30 a.m. to consider and, if thought fit, approve the Rights Issue, the Underwriting Agreement, the Placing under the Specific Mandate, the Placing and Underwriting Agreement and any transaction contemplated thereunder
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board, comprising all independent non-executive Directors, established to advise the Independent Shareholders of the Rights Issue
“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a corporation licensed to carry out business in type 6 (advising on corporate finance) regulated activities under the SFO, and being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) other than the controlling Shareholder and their associates or, where there are no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	third parties independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
“Last Trading Day”	15 May 2015, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	26 June 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 12 August 2015, or such other time as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Monday, 17 August 2015, being the third Business Day after (but excluding) the Latest Time for Acceptance, or such other time as may be agreed between the Company and the Underwriter
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Long Stop Date”	4:00 p.m. on 31 August 2015 (or such later time and date as the Placing Agent and the Company may agree in writing in relation to the Placing and Underwriting Agreement)
“Non-Qualifying Shareholders”	those Overseas Shareholders whom the Directors, based on legal advice to be provided by the Company’s legal advisers, consider it necessary or expedient not to offer the Rights Issue to such Shareholders on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placee(s)”	any independent professional, institutional, and/or individual investors who are not connected with any directors, chief executive or substantial shareholder(s) (if any) of the Company or their respective associates
“Placing”	the placing of the maximum of 7,000,000,000 Placing Shares by the Placing Agent subject to the terms and conditions set out in the Placing and Underwriting Agreement
“Placing and Underwriting Agreement”	the placing and underwriting agreement dated 18 May 2015 which is entered into between the Company and the Placing Agent in respect of the Placing
“Placing Agent” or “Underwriter”	Emperor Securities Limited, a corporation licensed to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Placing Price”	HK\$0.15 per Placing Share
“Placing Share(s)”	a maximum number of 7,000,000,000 new Shares (including 3,500,000,000 Underwritten Placing Shares and 3,500,000,000 Best Effort Placing Shares) to be placed pursuant to the Placing and Underwriting Agreement
“Posting Date”	Wednesday, 29 July 2015, or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents

DEFINITIONS

“Previous Rights Issue”	the rights issue of 2,219,491,963 rights shares on the basis of one (1) rights share for every two (2) shares held on the then record date, as conducted by the Company as disclosed in the announcement dated 22 October 2014
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, PAL and EAF
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders
“Record Date”	Tuesday, 28 July 2015, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined (or such other date as the Underwriter may agree in writing with the Company)
“Registrar”	Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, the share registrar of the Company in Hong Kong
“Rights Issue”	the proposed issue by way of rights of one (1) Rights Share for every two (2) existing Shares in issue and held on the Record Date at the Subscription Price subject to the terms and conditions as set out in the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	3,329,237,945 new Shares to be issued and allotted under the Rights Issue
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	the holder(s) of issued Shares
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which render any of the warranties contained in the Underwriting Agreement untrue, inaccurate or misleading
“Specific Mandate”	the specific mandate to be granted by the Shareholders to the Board at the EGM for the allotment and issuance of up to a maximum number of 7,000,000,000 Placing Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscription Price”	HK\$0.15 per Rights Share
“Underwriting Agreement”	the underwriting agreement dated 18 May 2015 and the extension letter dated 26 June 2015 which are entered into between the Underwriter and the Company in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Placing Shares”	3,500,000,000 Placing Shares to be placed by the Placing Agent on a fully underwritten basis subject to the terms and conditions as set out in the Placing and Underwriting Agreement
“Underwritten Shares”	3,329,237,945 Rights Shares underwritten by the Underwriter subject to the terms and conditions as set out in the Underwriting Agreement
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars
“%”	per cent

EXPECTED TIMETABLE

The expected timetable for the Rights Issue and the Placing is set out below.

All times and dates in this circular refer to Hong Kong local times and dates. The expected timetable for the Rights Issue and the Placing set out below is for indicative purposes only assuming that the Rights Issue and the Placing will be approved by the Independent Shareholders and the Shareholders at the EGM respectively. The expected timetable is subject to change, and any such change will be further announced by the Company as and when appropriate.

Event	2015 (Hong Kong time)
Latest time for lodging proxy forms for the EGM	10:30 a.m. on Wednesday, 15 July
Expected date and time of the EGM	10:30 a.m. on Friday, 17 July
Announcement of the poll result of the EGM	Friday, 17 July
Last day of dealing in the Shares on cum-rights basis	4:00 p.m. on Monday, 20 July
First day of dealing in the Shares on ex-rights basis	9:00 a.m. on Tuesday, 21 July
Latest time for lodging transfer of the Shares in order to be qualified for the Rights Issue	4:30 p.m. on Wednesday, 22 July
Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive)	Thursday, 23 July to Tuesday, 28 July
Record Date for the Rights Issue	Tuesday, 28 July
Prospectus Documents expected to be despatched	Wednesday, 29 July
First day of dealing in nil-paid Rights Shares	9:00 a.m. on Friday, 31 July
Latest time for splitting in nil-paid Rights Shares	4:30 p.m. on Tuesday, 4 August
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Friday, 7 August
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares	4:00 p.m. on Wednesday, 12 August
Latest time for termination of the Underwriting Agreement	4:00 p.m. on Monday, 17 August

EXPECTED TIMETABLE

Event	2015 (Hong Kong time)
Announcement of allotment result of the Rights Issue	Wednesday, 19 August
Refund cheques for wholly and partially unsuccessful applications for excess Rights Shares expected to be posted	on or before Thursday, 20 August
Certificates for the Rights Shares expected to be despatched	on or before Thursday, 20 August
Completion of Placing	Thursday, 20 August
Dealings in fully-paid Rights Shares and Placing Shares commence	9:00 a.m. on Friday, 21 August

Effect of bad weather on the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a 'black' rainstorm warning:

- i. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 12 August 2015. Instead, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- ii. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 12 August 2015. Instead, the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on Wednesday, 12 August 2015, the dates mentioned in the "EXPECTED TIMETABLE" section in this circular may be affected. The Company will notify Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

LETTER FROM THE BOARD



CHINA STRATEGIC HOLDINGS LIMITED

中策集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 235)

Executive Directors:

Dr. Or Ching Fai

(Chairman and Chief Executive Officer)

Mr. Sue Ka Lok

Ms. Lee Chun Yeung, Catherine

Mr. Hui Richard Rui

Mr. Chow Kam Wah

Registered Office:

Rooms 3206-3210, 32nd Floor

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

Independent Non-Executive Directors:

Ms. Ma Yin Fan

Mr. Chow Yu Chun, Alexander

Mr. Leung Hoi Ying

29 June 2015

To the Shareholders,

Dear Sirs or Madams,

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES
HELD ON THE RECORD DATE; AND
(II) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE**

INTRODUCTION

Reference is made to the Announcement whereby the Company has announced the proposed Rights Issue to raise approximately HK\$499 million before expenses (assuming no further issue of new Shares and there being no repurchase of Shares by the Company on or before the Record Date) by issuing 3,329,237,945 Rights Shares at the subscription price of HK\$0.15 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date.

The Rights Issue is fully underwritten by the Underwriter. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to subscribe for all Underwritten Shares that are

LETTER FROM THE BOARD

not taken up, subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions precedent contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “THE UNDERWRITING AGREEMENT” in this circular.

In the Announcement, the Company also announced that before the trading hours of the Stock Exchange on 18 May 2015, the Company entered into the Placing and Underwriting Agreement with the Placing Agent pursuant to which the Placing Agent has conditionally agreed to place to not less than six Placings a maximum number of 7,000,000,000 Placing Shares, of which 3,500,000,000 Underwritten Placing Shares will be placed on a fully underwritten basis and 3,500,000,000 Best Effort Placing Shares will be placed on a best effort basis. The Placing Price for the Placing Shares is HK\$0.15 per Placing Share. The Placing is subject to the Shareholders’ approval at the EGM. The EGM will be convened at which a resolution will be proposed to seek the approval of the Shareholders for the grant of the Specific Mandate for the allotment and issue of the Placing Shares pursuant to the Placing and Underwriting Agreement.

The Rights Issue is inter-conditional with the Placing. Upon the Underwriting Agreement and the Placing and Underwriting Agreement having become unconditional, dealings in the fully-paid Rights Shares and the Placing Shares shall commence on the same day, i.e., the next Business Day after completion date of the Placing.

The purpose of this circular is to provide you with, among other things, (i) further details about the Rights Issue, the Underwriting Agreement, the Placing and the Placing and Underwriting Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue; and (iv) the notice convening the EGM.

PROPOSED RIGHTS ISSUE

Basis of the Rights Issue:	One (1) Rights Share for every two (2) existing Shares held on the Record Date
Subscription Price:	HK\$0.15 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	6,658,475,890 Shares
Number of Rights Shares:	3,329,237,945 Rights Shares (assuming no further Shares will be issued on or before the Record Date)
Number of issued Shares upon completion of the Rights Issue:	9,987,713,835 Shares
Amount to be raised:	Approximately HK\$499 million before expenses
Rights of excess applications:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

LETTER FROM THE BOARD

Assuming no further issue of new Shares and there being no repurchase of Shares by the Company on or before the Record Date, the 3,329,237,945 Rights Shares represent 50% of the Company's issued share capital as at the Latest Practicable Date and will represent approximately 33.33% of the Company's issued share capital as enlarged by the Rights Issue.

The Company has no outstanding convertible securities or options in issue or other similar rights which confer any right to convert into or subscribe for Shares as at the Latest Practicable Date.

Qualifying Shareholder

To qualify for the Rights Issue, a Shareholder must:

1. be registered as a member of the Company at the close of business on the Record Date; and
2. be a Qualifying Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 22 July 2015.

Closure of register of members

The register of members of the Company will be closed from Thursday, 23 July 2015 to Tuesday, 28 July 2015 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Basis of provisional allotment

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every two (2) existing Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of Overseas Shareholders

According to the register of members of the Company, as at the Latest Practicable Date, there are six Overseas Shareholders with registered addresses in the United States, Malaysia, Macau and Singapore, holding 10,800 Shares, 1,750 Shares, 600 Shares and 9,250 Shares respectively.

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

LETTER FROM THE BOARD

The Directors have, in compliance with Rule 13.36(2)(a) of the Listing Rules, made enquiries regarding the legal restrictions under the laws of the above-listed countries and the requirement of the regulatory bodies or stock exchanges of the above-listed countries with respect to extending the Rights Shares to such Overseas Shareholders.

The Company has been advised by its legal advisors in Macau, Singapore and Malaysia that the Prospectus Documents would not be required to be registered with any regulatory authorities or the stock exchanges of Macau, Singapore and Malaysia, and may be despatched to the Overseas Shareholders with registered addresses in Macau, Singapore and Malaysia, but a copy of the Prospectus would have to be filed with the Securities Commission of Malaysia. The Company has been advised by its legal advisors in the United States that the Prospectus Documents would be required to be registered with the United States Securities and Exchange Commission, unless they qualify for an exemption by satisfying various criteria which may involve additional costs and affect the timing of the current timetable.

Based on such advice, the Directors have decided to extend the Rights Issue to the Overseas Shareholders with registered addresses in Macau, Singapore and Malaysia and to exclude the Rights Issue from the Overseas Shareholders with registered addresses in the United States. As such, the Overseas Shareholders with registered addresses in Macau, Singapore and Malaysia, together with the Shareholders with registered addresses in Hong Kong, are Qualifying Shareholders, while the Overseas Shareholders with registered addresses in the United States are Non-Qualifying Shareholders for the purpose of the Rights Issue.

The Company will continue to ascertain whether there are any other Overseas Shareholders on the Record Date and will, if necessary, make further enquiries with its legal adviser(s) in other overseas jurisdiction(s) regarding the feasibility of extending the Rights Issue to such other Overseas Shareholders on the Record Date. Further information in this connection will be set out in the Prospectus containing, among other things, details of the Rights Issue, to be despatched to the Shareholders on the Posting Date.

The Company will send the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL and EAF to them.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, of more than HK\$100 will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. In light of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlement of Non-Qualifying Shareholders to the Rights Shares, and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders, will be made available for excess applications by Qualifying Shareholders under the EAF(s).

LETTER FROM THE BOARD

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.15 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue.

The Subscription Price represents:

- (a) a discount of approximately 49.15% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 39.27% to the theoretical ex-rights price of approximately HK\$0.247 per Share based on the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 41.63% to the average closing price of approximately HK\$0.257 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 22.68% to the average closing price of approximately HK\$0.194 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day; and
- (e) a discount of approximately 71.70% to the closing price of HK\$0.53 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions and it is the same as the Placing Price under the Placing. The Directors (including the independent non-executive Directors) consider that the terms of the Rights Issue, including the Subscription Price which has been set at a reasonable discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company in the future, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The net price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.146.

Status of Rights Shares

The Rights Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

LETTER FROM THE BOARD

Share certificates and refund cheques for Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on or about Thursday, 20 August 2015 by ordinary post to the allottees, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted on or about Thursday, 20 August 2015 by ordinary post to the applicants, at their own risk, to their registered addresses.

Fractions of Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form to the Qualifying Shareholders. All fractions of Rights Shares will be aggregated (and rounded down to the nearest whole number) and all nil-paid Rights Shares arising from such aggregation will be sold in the market for the benefit of the Company if a premium (net of expenses) can be achieved. Any unsold fractions of Rights Shares will be made available for excess application by the Qualifying Shareholders under the EAF(s).

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders, for any Rights Shares provisionally allotted but not accepted and for any unsold Rights Shares arising out of the aggregation of fractional entitlements.

Application for excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:00 p.m. on Wednesday, 12 August 2015.

The Directors will allocate the excess Rights Shares (if any) at their discretion on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to Rights Shares comprised in applications by PAL or the existing number of Shares held by Qualifying Shareholders. No preference will be given to topping up odd lots to whole board lots.

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Investors with Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under the names of the beneficial owners prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

LETTER FROM THE BOARD

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms, which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

THE UNDERWRITING AGREEMENT

On 18 May 2015 (before trading hours), the Underwriter and the Company entered into the Underwriting Agreement, pursuant to which the Underwriter has conditionally agreed to fully underwrite all the Rights Shares.

Date: 18 May 2015 (before trading hours)

Underwriter: Emperor Securities Limited

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties.

Total number of Rights Shares being underwritten by the Underwriter: 3,329,237,945 Rights Shares (assuming no new Shares being issued and there being no repurchase of Shares by the Company on or before the Record Date)

Commission: 2.5% of the aggregate Subscription Price of the Underwritten Shares

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. The Board considers the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders are concerned.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination,

(A) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:

- (1) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever after the signing of the Underwriting Agreement;
- (2) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring after the signing of the Underwriting Agreement or continuing after the signing of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets;
- (3) any material adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of any member of the Group;
- (4) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurred after the signing of the Underwriting Agreement;
- (5) after signing of the Underwriting Agreement, there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in securities generally or the Company's securities on the Stock Exchange whether due to exceptional financial circumstances or otherwise;

which event or events is or are in the absolute opinion of the Underwriter:

- (a) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole; or
 - (b) likely to have a material adverse effect on the success of the Rights Issue or the level of the Rights Shares taken up; or
 - (c) make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue; or
- (B) any breach of any of the warranties or undertakings or any omission to observe any of the obligations or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (C) any Specified Event comes to the knowledge of the Underwriter,

LETTER FROM THE BOARD

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Upon giving of notice pursuant to the Underwriting Agreement, all obligations of the parties under the Underwriting Agreement shall terminate forthwith (without prejudice to the rights of any party in respect of antecedent breach) provided that the Company shall remain liable to pay to the Underwriter such fees and expenses (other than the underwriting commission) payable by the Company pursuant to the Underwriting Agreement. If the Underwriter exercises such right, the Rights Issue will not proceed.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (1) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked approval for the listing of, and permission to deal in (i) the Placing Shares; and (ii) the Rights Shares (in their nil-paid and fully-paid forms) prior to the Latest Time for Termination;
- (2) the passing of the necessary resolution(s) at the EGM by the Shareholders to approve on or before the Posting Date of (i) the Placing; and (ii) the Rights Issue and the Underwriting Agreement and the transactions contemplated thereunder;
- (3) the filing and registration of the Prospectus Document (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Posting Date;
- (4) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Posting Date;
- (5) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (6) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement at the Latest Time for Termination; and
- (7) the Placing and Underwriting Agreement having become unconditional and not having been terminated.

The conditions precedent set out in paragraphs (1) to (5) are incapable of being waived by the Underwriter and the Company. The Underwriter may waive the condition precedent set out in paragraph (6) and (7) in whole or in part by written notice to the Company.

If the conditions precedent set out in above paragraphs are not satisfied and/or do not remain fulfilled (or, if applicable, waived in whole or in part by the Underwriter) at the respective time and dates specified therein (or such other time as may be extended by the Underwriter (as permitted under the relevant legal and regulatory requirements)), the Underwriting Agreement shall terminate (save in respect of the provisions in relation to indemnity, notices and governing law and any rights or

LETTER FROM THE BOARD

obligations which have accrued under the Underwriting Agreement prior to such termination) and no party will have any claim against any other party for costs, damages, compensation or otherwise (save in respect of any rights or obligations which may have accrued under the Underwriting Agreement prior to such termination).

The Rights Issue is inter-conditional with the Placing. Upon the Underwriting Agreement and the Placing and Underwriting Agreement becoming unconditional, dealings in the fully-paid Rights Shares and the Placing Shares shall commence on the same day, i.e., the next Business Day after completion date of the Placing.

THE PLACING AND UNDERWRITING AGREEMENT

Date: 18 May 2015 (before trading hours)

Issuer: the Company

Placing Agent: Emperor Securities Limited

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Pursuant to the Placing and Underwriting Agreement, the Placing Agent has conditionally agreed to place a maximum number of 7,000,000,000 Placing Shares, of which 3,500,000,000 Underwritten Placing Shares will be placed on a fully underwritten basis and 3,500,000,000 Best Effort Placing Shares will be placed on a best effort basis. The Placing Price for the Placing Shares is HK\$0.15 per Placing Share.

The maximum number of 7,000,000,000 Placing Shares represents (i) approximately 105.13% of the existing issued share capital of the Company of 6,658,475,890 Shares as at the Latest Practicable Date; (ii) approximately 51.25% of the issued share capital of the Company of 13,658,475,890 Shares as enlarged by the Placing (assuming no issue or repurchase of Shares other than the issue of the Placing Shares); and (iii) approximately 41.21% of the issued share capital of the Company of 16,987,713,835 Shares as enlarged by the Rights Issue and the Placing (assuming no issue or repurchase of Shares other than the issue of the Rights Shares and Placing Shares).

The Placing Shares to be placed under the Placing and Underwriting Agreement will be issued pursuant to the Specific Mandate to allot, issue and deal with the Placing Shares to be approved and granted to the Directors by the Shareholders at the EGM.

Placee(s)

The Placing Agent has agreed to procure not less than six Placees (who will be professional, institutional and/or individual investors), who and whose ultimate beneficial owners will be Independent Third Parties. These Placees (other than in their capacity as Qualifying Shareholders) will not be entitled to participate in the Rights Issue. It is expected that none of the Placee(s) will become

LETTER FROM THE BOARD

a substantial shareholder (as defined in the Listing Rules) of the Company immediately after completion of the Placing. If any of the Placees becomes a substantial shareholder (as defined in the Listing Rules) of the Company as a result of the Placing, further announcement(s) will be made by the Company as and when appropriate.

Ranking of Placing Shares

The Placing Shares, when issued and fully paid, will rank pari passu among themselves and with the Shares in issue at the time of allotment and issue of the Placing Shares.

Placing Price

The Placing Price for the Placing Shares is HK\$0.15 per Placing Share and represents:

- (a) a discount of approximately 49.15% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 41.63% to the average closing price of approximately HK\$0.257 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 22.68% to the average closing price of approximately HK\$0.194 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day; and
- (d) a discount of approximately 71.70% to the closing price of HK\$0.53 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Placing Price is the same as the Subscription Price under the Rights Issue. The Placing Price was determined after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market price of the Shares and taken into consideration the terms of the Rights Issue.

On the assumption of completion of the Placing of all the Placing Shares, the net proceeds from the Placing and the Rights Issue will be not more than approximately HK\$1,508 million and not less than approximately HK\$996 million and the net price per Placing Share or Rights Share is approximately HK\$0.146.

Placing commission

The Company shall pay to the Placing Agent a placing commission on completion of the Placing as follows:

- (i) 2.5% of the amount equal to the aggregate Placing Price of the Underwritten Placing Shares; and

LETTER FROM THE BOARD

- (ii) 2.5% of the amount equal to the aggregate Placing Price of the Best Effort Placing Shares (excluding the Underwritten Placing Shares) successfully taken up by the Placees procured by the Placing Agent and fully paid.

The Directors consider that the terms of the Placing and Underwriting Agreement (including the Placing Price and placing commission) are on normal commercial terms and are fair and reasonable and that the Placing is in the interests of the Company and the Shareholders as a whole.

Specific Mandate to issue Placing Shares

The Placing Shares will be issued under the Specific Mandate to be approved and granted by the Shareholders at the EGM.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Conditions of the Placing and Underwriting Agreement

The Placing is conditional upon:

- (i) the passing of the necessary resolution(s) at the EGM by the Shareholders to approve (i) the Rights Issue; and (ii) the Placing and the Placing and Underwriting Agreement and the transactions contemplated thereunder;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked approval for the listing of, and permission to deal in (i) the Rights Shares (in their nil-paid and fully-paid forms); and (ii) the Placing Shares;
- (iii) the compliance of any other requirements under the Listing Rules and the Hong Kong Code on Takeovers and Mergers (the “Takeovers Code”) or otherwise of the Stock Exchange and the Securities and Futures Commission which requires compliance in relation to the Placing and the issue of the Placing Shares;
- (iv) there being no breach of the representations and warranties of the Company under the terms of the Placing and Underwriting Agreement;
- (v) the Placing and Underwriting Agreement not having been terminated in accordance with its terms; and
- (vi) the Underwriting Agreement in relation to the Rights Issue having become unconditional and not having been terminated.

The conditions precedent set out in paragraphs (i) to (iii) are incapable of being waived. The Placing Agent may at any time waive in writing the paragraphs (iv) and (vi) above. The Company shall use its best endeavours to procure the fulfillment of the conditions precedent above by the Long Stop Date. If the conditions precedent set out in paragraphs (i) to (iii) have not been fulfilled by the Long

LETTER FROM THE BOARD

Stop Date and/or the paragraph (iv) does not remain fulfilled or waived by the Placing Agent by the Long Stop Date, the Placing and Underwriting Agreement shall lapse and be terminated and all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and no party shall have any claim against the other under the Placing and Underwriting Agreement except for antecedent breach.

The Placing is inter-conditional with the Rights Issue. Upon the Underwriting Agreement and the Placing and Underwriting Agreement becoming unconditional, dealings in the fully-paid Rights Shares and the Placing Shares shall commence on the same day, i.e., the next Business Day after completion date of the Placing.

Termination of the Placing

Notwithstanding anything contained in the Placing and Underwriting Agreement, if, at any time prior to 10:00 a.m. on the completion date of the Placing:

- (A) in the absolute opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by:-
- (1) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever after the signing of the Placing and Underwriting Agreement; or
 - (2) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring after the signing of the Placing and Underwriting Agreement or continuing after the signing of the Placing and Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or
 - (3) any material adverse change after the signing of the Placing and Underwriting Agreement in the business or in the financial or trading position of any member of the Group; or
 - (4) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurred after the signing of the Placing and Underwriting Agreement; or
 - (5) after signing of the Placing and Underwriting Agreement, the imposition of any moratorium, suspension or material restriction on trading in the securities generally or the Company's securities on the Stock Exchange whether due to exceptional financial circumstances or otherwise,

which event or events is or are in the reasonable opinion of the Placing Agent:

- (a) likely to have a material adverse effect on the business or financial or trading position or prospects of the Group as a whole; or
- (b) likely to have a material adverse effect on the success of the Placing; or

LETTER FROM THE BOARD

- (c) make it inappropriate, inadvisable or inexpedient to proceed with the Placing; or
- (B) there is any material breach of any of the representations and warranties set out in the Placing and Underwriting Agreement which will have a material or adverse effect on the Group's business, finance or trading position,

then and in any such case, the Placing Agent shall be entitled by notice in writing to the Company to terminate the Placing and Underwriting Agreement without liability to the Company, provided that such notice is received prior to 10:00 a.m. on the date of completion of the Placing.

In the event that the Placing and Underwriting Agreement is terminated pursuant to the terms therein, all obligations under the Placing and Underwriting Agreement of the parties thereto shall cease and determine and no party thereto shall have any claim against any other parties in respect of any matter arising out of or in connection with the Placing and Underwriting Agreement save in respect of any antecedent breach of any obligation under the Placing and Underwriting Agreement and the liability of the Company to pay to the Placing Agent all reasonable costs, charges and expenses in accordance with the Placing and Underwriting Agreement.

Completion of the Placing

Completion of the Placing will take place within 7 Business Days after fulfillment of the respective conditions as set out in the Placing and Underwriting Agreement, or such other date as the Company and the Placing Agent shall agree, and if the Rights Issue has become unconditional, the same day on which the Right Shares are allotted and issued as fully-paid Shares.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue; (iii) immediately after completion of the Rights Issue and placing of Underwritten Placing Shares; and (iv) immediately after completion of the Rights Issue and the placing of Underwritten Placing Shares and Best Effort Placing Shares (if fully placed).

Scenario 1 — All Shareholders have taken up all their entitled Rights Shares

	As at the Latest Practicable Date		Immediately after completion of Rights Issue		Immediately after completion of (i) Rights Issue and (ii) Placing of Underwritten Placing Shares		Immediately after completion of (i) Rights Issue, (ii) Placing of Underwritten Placing Shares and (iii) Placing of Best Effort Placing Shares	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Placing Agent/ Places procured by the Placing Agent	—	—	—	—	3,500,000,000	25.95	7,000,000,000	41.21
Other public Shareholders	6,658,475,890	100.00	9,987,713,835	100.00	9,987,713,835	74.05	9,987,713,835	58.79
Total	6,658,475,890	100.00	9,987,713,835	100.00	13,487,713,835	100.00	16,987,713,835	100.00

LETTER FROM THE BOARD

Scenario 2 — No Shareholder has taken up the Rights Shares

	As at the Latest Practicable Date		Immediately after completion of Rights Issue		Immediately after completion of (i) Rights Issue and (ii) Placing of Underwritten Placing Shares		Immediately after completion of (i) Rights Issue, (ii) Placing of Underwritten Placing Shares and (iii) Placing of Best Effort Placing Shares	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Underwriter/ subscribers procured by the Underwriter	—	—	3,329,237,945	33.33	3,329,237,945	24.68	3,329,237,945	19.60
Placing Agent/ Places procured by the Placing Agent	—	—	—	—	3,500,000,000	25.95	7,000,000,000	41.21
Other public Shareholders	<u>6,658,475,890</u>	<u>100.00</u>	<u>6,658,475,890</u>	<u>66.67</u>	<u>6,658,475,890</u>	<u>49.37</u>	<u>6,658,475,890</u>	<u>39.19</u>
Total	<u>6,658,475,890</u>	<u>100.00</u>	<u>9,987,713,835</u>	<u>100.00</u>	<u>13,487,713,835</u>	<u>100.00</u>	<u>16,987,713,835</u>	<u>100.00</u>

Note:

These scenarios are for illustration purpose only.

Pursuant to the Underwriting Agreement, the Underwriter shall not subscribe, for its own account, for such number of Rights Shares which will result in it and parties acting in concert with it (within the meaning of the Takeovers Code) to own 30% or more of the voting rights of the Company upon completion of the Rights Issue; and the Underwriter shall use its best endeavours to ensure that each of the sub-underwriters and independent placees and/or subscribers procured by any of them shall be third parties independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Directors or substantial Shareholders or their respective close associates.

REASONS FOR THE RIGHTS ISSUE AND THE PLACING

The Group is principally engaged in investment in securities, trading of metal minerals and electronic components and money lending businesses. During the year ended 31 December 2014, the Group has discontinued its battery operation.

The Directors consider that the Rights Issue and the Placing represent good opportunities to strengthen the financial position of the Group and to raise additional funds at a reasonable cost to support the Group's continuing development and business growth. The Rights Issue will give the Qualifying Shareholders the opportunity to subscribe for the Shares according to their respective shareholding interests in the Company. In addition, the Placing will further broaden the Company's shareholder base and, where additional institutional and professional investors are to be introduced as a result, will further enhance the profile of the Company's shareholder base. Hence, the Board considers that fund raising through the Rights Issue and the Placing is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

USE OF PROCEEDS

The gross proceeds of the Rights Issue and the Placing will be not more than approximately HK\$1,549 million and not less than approximately HK\$1,024 million. The estimated aggregate net proceeds from the Rights Issue and the Placing (assuming completion of the Placing), after the deduction of the relevant commission and other related expenses, are estimated to be not more than approximately HK\$1,508 million and not less than approximately HK\$996 million. The Company intends to use the net proceeds of the Rights Issue and the Placing for working capital for expansion of the existing businesses of the Company and any future business opportunities to be identified by the Company including but not limited to the potential acquisition of online shopping business as disclosed in the announcement of the Company dated 15 May 2015. Currently, the Group is principally engaged in the businesses of investment in securities, money lending and trading of metal minerals and electronic components. All three businesses recorded profitable results for the year ended 31 December 2014 and accordingly, the Company intends to continue developing these businesses and will allocate financial resources for their business expansion when considered appropriate. The existing businesses of the Group are principally capital intensive, in particular the investment in securities and money lending businesses. As no bank or other borrowings are raised for these businesses, part of the net proceeds to be raised from the Rights Issue and the Placing will be used as working capital of these businesses for making investments in securities and loans to customers. As for the trading business, the Company is required from time to time to place deposits with banks to obtain trade credit facilities, and to make prepayments and deposits to facilitate the execution of trade transactions. Accordingly, part of the net proceeds to be raised from the Rights Issue and the Placing will be utilized as bank deposits securing trade credit facilities granted to the Group so as to facilitate the expansion of the trading business. At present, the Company intends that (i) approximately 30% to 40% of the net proceeds to be raised from the Rights Issue and the Placing will be used for the development of the Group's investment in securities business; (ii) approximately 30% to 40% for the development of the Group's money lending business; and (iii) the remaining balance for the Group's trading business. As the Group's investment in securities business and the money lending business are capital intensive, the Company considers that it is more appropriate to allocate a relatively higher portion ie. 30% to 40% of the net proceeds to these businesses. Nevertheless, the utilization of the net proceeds to be raised from the Rights Issue and the Placing may change, depending on the financial position of the Group at the relevant time, and whether the Company decides to pursue new business opportunities with good prospects, including but not limited to the potential acquisition of online shopping business as disclosed in the announcement of the Company dated 15 May 2015. Appropriate announcements and/or disclosures in annual and/or interim report will be made by the Company in due course.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Pursuant to the announcement of the Company dated 19 August 2014, the Company conducted a placing of 739,800,000 new Shares at a price of HK\$0.16 per Share under the general mandate. The net proceeds from the placing were approximately HK\$115 million. Completion of the placing took place on 5 September 2014. The net proceeds have been used as intended as the general working capital of the Group as of the date of the Announcement.

LETTER FROM THE BOARD

Pursuant to the announcement of the Company dated 22 October 2014, the Company conducted a rights issue of 2,219,491,963 rights shares on the basis of one (1) rights share for every two (2) shares held on the then record date, at an issue price of HK\$0.08 per rights share. The net proceeds from the Previous Rights Issue were approximately HK\$172 million. Completion of the Previous Rights Issue took place on 15 December 2014. The Company intended to utilize the net proceeds as to (i) approximately 40% to 50% for the development of its money lending business; (ii) approximately 30% to 40% for the development of its metal minerals and electronic components trading business; and (iii) the remaining balance for opportunistic investments and general corporate purpose. As at the date of the Announcement, the net proceeds have been used as to approximately 26% for the Company's money lending business mainly for providing short term loans to customers, as to approximately 51% for its metal minerals and electronic components trading business mainly for placing deposits with banks for securing trade credit facilities and making other trade payments, and the balance for its investment in securities business mainly for acquiring equity securities listed on the Stock Exchange.

Save as disclosed above, no other fund raising exercise was carried out by the Company during the twelve months period immediately preceding the Latest Practicable Date.

IMPLICATIONS UNDER THE LISTING RULES

As the Rights Issue together with the Previous Rights Issue will increase the issued share capital and the market capitalisation of the Company by more than 50% within the 12-month period immediately preceding the date of the Announcement, pursuant to Rule 7.19(6) of the Listing Rules, the Rights Issue is conditional on approval by the Independent Shareholders by way of poll at the EGM and any controlling Shareholder and their associates or, where there is no controlling Shareholder, the Directors (other than independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue and the transactions contemplated thereunder. As at the Latest Practicable Date, the Company had no controlling Shareholder. None of the Directors or the chief executive of the Company and their respective associates holds any Shares as at the Latest Practicable Date. To the best knowledge of the Directors, no Shareholder is required to abstain from voting at the EGM in respect of the resolution(s) relating to the Rights Issue.

The Placing will be subject to Shareholders' approval. Resolution(s) will be proposed in the EGM for the Shareholders to consider and, if thought fit, approve the Placing and Underwriting Agreement and the transactions contemplated thereunder and the Specific Mandate to allot and issue the Placing Shares. To the best knowledge of the Directors, no Shareholder is required to abstain from voting at the EGM in respect of the resolution(s) relating to the Placing and the Specific Mandate.

WARNING OF THE RISKS OF DEALING IN SHARES, RIGHTS SHARES AND RELATING TO THE PLACING

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Placing and the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sub-paragraph headed "Termination of the Underwriting Agreement" above). Accordingly, the Rights Issue may or may not proceed.

LETTER FROM THE BOARD

The Shares are expected to be dealt in on an ex-rights basis from Tuesday, 21 July 2015. Dealings in the Rights Shares in nil-paid form are expected to take place from Friday, 31 July 2015 to Friday, 7 August 2015 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Completion of the Placing is conditional upon the Rights Issue and is subject to the satisfaction and/or waiver of the conditions precedent in the Placing and Underwriting Agreement. As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

EGM

The transactions contemplated under the Placing and Underwriting Agreement and the Underwriting Agreement, including the issue of the Placing Shares and the Rights Shares, are subject to the approval by the Shareholders and the Independent Shareholders at the EGM respectively.

A notice convening the EGM to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 17 July 2015 at 10:30 a.m. is set out on pages 62 to 64 of this circular, for (i) Independent Shareholders to consider and, if thought fit, to approve the Rights Issue (including the Underwriting Agreement); (ii) the Shareholders to consider and, if thought fit, to approve the Placing and Underwriting Agreement and the grant of the Specific Mandate for the allotment and issue of the Placing Shares pursuant to the Placing and Underwriting Agreement.

In compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders by way of poll at the EGM. As at the Latest Practicable Date, the Company does not have any controlling Shareholder. The Directors (other than the independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue and the transactions contemplated thereunder.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder had a material interest in the Placing and Underwriting Agreement. Therefore, no Shareholder is required to abstain from voting on the resolution to be proposed at the EGM to approve the grant of the Specific Mandate.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and sign the accompanying form of proxy in

LETTER FROM THE BOARD

accordance with the instructions printed thereon and deposit the same with Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, the share registrar of the Company in Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the instrument appointing the proxy shall be deemed to have been revoked. Voting on the proposed resolution at the EGM will be taken by poll.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus Documents will be despatched to the Qualifying Shareholders on or before Wednesday, 29 July 2015 whereas the Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

RECOMMENDATION

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Rights Issue. Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the same.

You are advised to read carefully the letter of recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser set out on page 27 and pages 28 to 41 respectively of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue at the EGM.

Further, the Directors (including the independent non-executive Directors) consider that the Placing is in the interests of the Company and the Shareholders as a whole, therefore, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the resolution to approve the Placing and the issue of the Placing Shares under the Specific Mandate at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendices I to III to this circular.

Yours faithfully,
By order of the Board
China Strategic Holdings Limited
Or Ching Fai
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue.



CHINA STRATEGIC HOLDINGS LIMITED

中策集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 235)

29 June 2015

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE
ON THE BASIS OF ONE (1) RIGHTS SHARES FOR
EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE**

We refer to the circular dated 29 June 2015 (the “Circular”) of the Company of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of Rights Issue are fair and reasonable insofar as the Independent Shareholders are concerned and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote. Veda Capital has been appointed as the Independent Financial Adviser to advise you and us in this respect.

Having taken into account the advice and recommendation of Veda Capital as set out in its letter of advice to you and us on pages 28 to 41 of the Circular, we consider that the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Furthermore, the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee
Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Veda Capital Limited setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, which has been prepared for the purpose of inclusion in this circular.

VEDA | CAPITAL
智 略 資 本

Veda Capital Limited
Suite 3711, 37/F
Tower II, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

29 June 2015

*To the Independent Board Committee and the Independent Shareholders of
China Strategic Holdings Limited*

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the Letter from the Board (the “Board Letter”) contained in the circular to the Shareholders dated 29 June 2015 (the “Circular”), of which this letter forms part. Terms used herein have the same meanings as defined elsewhere in the Circular unless the context require otherwise.

The Company proposed to raise approximately HK\$499 million before expenses (assuming no further issue of new Shares and there being no repurchase of Shares by the Company on or before the Record Date) by way of the Rights Issue of 3,329,237,945 Rights Shares at the subscription price of HK\$0.15 per Rights Share on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date.

In compliance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders by way of poll at the EGM and any controlling Shareholder and their associates or, where there is no controlling Shareholder, the Directors (other than independent non-executive Directors), the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution relating to the Rights Issue and the transactions contemplated thereunder. As at the Latest Practicable Date, the Company has no controlling Shareholder and none of the Directors or the chief executive of the Company and their respective associates holds any Shares. Hence no Shareholder will be required to abstain from voting at the EGM in respect of the resolution relating to the Rights Issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors, namely, Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying, has been formed to make recommendations to the Independent Shareholders as to whether the Rights Issue, is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolution at the EGM for the Rights Issue. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we were not aware of any relationships or interest between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the undertaking and the transactions contemplated thereunder. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations on the terms of the undertaking and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no other facts the omission of which would make any statements in the Circular misleading. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and management of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding or dealing in the Rights Shares or otherwise, since these are particular to their own circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Rights Shares or the exercise of any rights attaching thereto or otherwise. In particular, Qualifying Shareholders subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Rights Issue and, if in any doubt, should consult their own professional advisers.

This letter is issued for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consents.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, we have taken into consideration the following principal factors and reasons:

I. Background and financial performances of the Group

The Group is principally engaged in investment in securities, trading of metal minerals and electronic components and money lending businesses and has discontinued its battery operation during the year ended 31 December 2014.

Financial information of the Group for the three financial years ended 31 December 2014 are as below:

For the financial year ended 31 December 2014

As disclosed in the financial report of the Company for the year ended 31 December 2014 (the “AR 2014”), the Group recorded revenue of approximately HK\$417.59 million for the year ended 31 December 2014, representing an increase of approximately 281.43% as compared to the revenue of approximately HK\$109.48 million for the year ended 31 December 2013. As set out in the AR 2014, the increase in revenue was mainly due to the increase in trading volume of metal minerals and electronic components as well as interest income from money lending business. The Group recorded a profit attributable to the Shareholders of approximately HK\$376.99 million for the year ended 31 December 2014, representing a turnaround from a loss attributable to the Shareholders of approximately HK\$15.40 million for the year ended 31 December 2013. As set out in the AR 2014, the profitable results achieved by the Group were mainly attributed to the substantial net gain on financial assets of approximately HK\$279.07 million earned by the investment in securities operation; the profitable results reported by the trading and money lending operations, and the gain on disposal of the discontinued battery operation of approximately HK\$110.57 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the financial year ended 31 December 2013

As disclosed in the financial report of the Company for the year ended 31 December 2013 (the “AR 2013”), the Group recorded revenue of approximately HK\$104.09 million (the amount was subsequently restated in the AR 2014 Five-Year Financial Summary section owing to the discontinuance of the Group’s battery operation) for the year ended 31 December 2013, representing an increase of approximately 1,735.80% as compared to the revenue of approximately HK\$5.67 million (the amount was subsequently restated in the AR 2014 Five-Year Financial Summary section owing to the discontinuance of the Group’s battery operation) for the year ended 31 December 2012. As set out in the AR 2013, the increase in revenue was mainly attributable to the commencement of the Group’s new businesses in metals trading and money lending business as well as sales of electronic products. The Group recorded a loss attributable to the Shareholders of approximately HK\$15.40 million for the year ended 31 December 2013, representing a decrease of loss of approximately 83.00% from a loss attributable to the Shareholders of approximately HK\$90.61 million for the year ended 31 December 2012. As advised by the Company, the decrease in loss was mainly due to the improvement of performance of the Group’s securities investment during the second half of 2013 which resulted in the Group recording a gain on financial assets at fair value through profit or loss of approximately HK\$19.05 million.

For the financial year ended 31 December 2012

As disclosed in the financial report of the Company for the year ended 31 December 2012 (the “AR 2012”), the Group recorded revenue of approximately HK\$5.67 million (the amount was subsequently restated in the AR 2014 Five-Year Financial Summary section owing to the discontinuance of the Group’s battery operation) for the year ended 31 December 2012, representing a drop of approximately 39.16% as compared to the revenue of approximately HK\$9.32 million (the amount was subsequently restated in the AR 2014 Five-Year Financial Summary section owing to the discontinuance of the Group’s battery operation) for the year ended 31 December 2011. As advised by the Company, the drop in revenue was mainly due to the increasing competition of the batteries products industry. The Group recorded a loss attributable to the Shareholders of approximately HK\$90.61 million for the year ended 31 December 2012, representing an increase of loss of approximately 29.20% from a loss attributable to the Shareholders of approximately HK\$70.13 million for the year ended 31 December 2011. As advised by the Company, the increase in loss was mainly due to loss recorded by the Group on financial assets at fair value through profit or loss of approximately HK\$53.59 million for the year ended 31 December 2012 compared to the same of approximately HK\$25.22 million recorded for the year ended 31 December 2011, which had increased by approximately HK\$28.37 million.

II. Reasons for and benefits of entering into the Underwriting Agreement

As set out in the Board Letter, the Rights Issue represents good opportunities to strengthen the financial position of the Group and to raise additional funds at a reasonable cost to support the Group’s continuing development and business growth. The Rights Issue will give the Qualifying Shareholders the opportunity to subscribe for the Shares according to their respective shareholding interests in the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted from the Board Letter, in addition to the Underwriting Agreement, the Company has also entered into the Placing and Underwriting Agreement with the Placing Agent, whose ultimate beneficial owners will be Independent Third Parties, to place a maximum number of 7,000,000,000 Placing Shares, of which 3,500,000,000 Underwritten Placing Shares will be placed on a fully underwritten basis and 3,500,000,000 Best Effort Placing Shares will be placed on a best effort basis at the Placing Price to raise a maximum of approximately HK\$1,050 million before expenses. Furthermore, the Rights Issue and the Placing are inter-conditional. Please refer to the section headed “THE PLACING AND UNDERWRITING AGREEMENT” in the Board Letter for further details in respect of the terms of the Placing and Underwriting Agreement.

As further set out in the Board Letter, the Rights Issue alone will raise approximately HK\$499 million before expenses and combining with the Placing (assuming completion of the Placing), after deduction of the relevant commission and other related expenses, the estimated aggregated net proceeds are estimated to be not less than approximately HK\$996 million and not more than approximately HK\$1,508 million (the “Net Proceeds”). The Company intends to use the Net Proceeds for working capital for expansion of the existing businesses of the Company and any future business opportunities to be identified by the Company including but not limited to the potential acquisition of online shopping business as disclosed in the announcement of the Company dated 15 May 2015 (the “May Announcement”).

We noted from the May Announcement that, an indirect wholly-owned subsidiary of the Company (the “Purchaser”) entered into a memorandum of understanding (the “MOU”) with two individuals to acquire the entire issued share capital of a company incorporated in Hong Kong (the “Target Company”) which, following implementation of a restructuring in a manner which is satisfactory to the Purchaser, the Target Company will hold not less than 75% interests in Hualian Electric Commerce Group Co., Ltd. (being literal translation of the Chinese company name 華聯電子商務集團有限公司) (“Hualian”, together with its subsidiaries, the “Target Group”) for an indicative price of HK\$2 billion (the “Target Consideration”). As set out in the May Announcement, the Target Group operates an online shopping platform in the People’s Republic of China and has plans to expand into convenience chain stores business which is expected to integrate and enhance its existing online business and Online to Offline (O2O) business model. Such proposed acquisition is subject to the entering into of a formal agreement and due diligence satisfactory to the Purchaser. Please refer to the May Announcement for more details of the terms of the MOU.

According to the AR 2014, the Group has been seeking investment opportunities with good potential with the view to enhance Shareholders’ value. As advised by the Company, the Group financed its operations mainly by cash generated from its business activities and credit facilities provided by banks. We noted from the AR 2014, as at 31 December 2014, the amount of the Group’s bank balances and cash was approximately HK\$302.48 million, which is insufficient to cover the Target Consideration, if and when materialised. As advised by the Company, the proceeds from the Rights Issue are for expansion of the existing businesses of the Company and any future business opportunities to be identified by the Company including the acquisition of the Target Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are aware that the Company had conducted share placement and rights issue exercises during the financial year ended 31 December 2014. As confirmed by the Company, the net proceeds of approximately HK\$115 million raised from the share placement completed in September 2014 have been utilized as general working capital of the Group whereas the net proceeds of about HK\$172 million raised from the rights issue completed in December 2014, as at the date of the Announcement, have been utilized as to approximately 26% for the Group's money lending business mainly for providing short term loans to customers, as to approximately 51% for the Group's metal minerals and electronic components trading business mainly for placing deposits with banks for securing trade credit facilities and to make other trade payments, and the remaining balance for its investment in securities business mainly for acquiring equity securities listed on the Stock Exchange.

According to the AR 2014, the Group had achieved encouraging results for the year ended 31 December 2014 as compared with the year ended 31 December 2013 mainly due to (i) operation's profit generated from the Group's investment in securities operation substantially increased by over 8.6 times due to the upturn in Hong Kong stock market; (ii) operation's profit generated from the Group's metal minerals and electronic components trading business posted an about 1.4 times jump due to the increased volume of metal minerals and electronic components transacted during the financial year as a result of the management's successful efforts in expanding the operation's supplier and customer base; and (iii) operation's profit generated from the Group's money lending business increased by over 5.0 times as a result of the higher average amount of loans advanced to customers.

Based on the profitable results for the year ended 31 December 2014, we are given to understand by the Company that the Group intends to continue developing its existing business operations and will allocate financial resources for their business expansion when considered appropriate. At present, the Company intends that (i) approximately 30% to 40% and approximately 30% to 40% of the Net Proceeds will be used for the development of the Group's investment in securities business and money lending business, respectively, as working capital of these businesses for making investments in securities and loans to customers; and (ii) the remaining balance of the Net Proceeds are for the Group's trading business as the Company is required from time to time to place deposits with banks to obtain trade credit facilities, and to make prepayments and deposits to facilitate the execution of trade transactions. The Company has further advised that the utilization of the Net Proceeds may change, depending on the financial position of the Group at the relevant time, and whether the Company decides to pursue new business opportunities with good prospects, including but not limited to the potential acquisition of the Target Group as disclosed in the May Announcement.

In light of the positive results of the existing principal businesses of the Group as described above, we are of the view that it is fair and reasonable for the Group to, and in the interests of the Shareholders, to devote more of its existing resources into the existing profitable business operations of the Group.

Having considered, (i) the Rights Issue can strengthen the Group's financial position; (ii) the Group has decided on how to allocate the Net Proceeds and at present, the Group intends to utilize the Net Proceeds on its principal businesses which generated profitable results for the Group for the year ended 31 December 2014; (iii) the Group has also been seeking opportunistic investments with good potentials and as at 31 December 2014, the current aggregate bank balances and cash of the Group may not be sufficient to satisfy any investment opportunities in a timely manner (i.e. including

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Target Consideration in acquiring the Target Company if and when materialized, which the Purchaser was granted an exclusivity period of 3 months (or such longer period as agreed between the parties) pursuant to the MOU); (iv) the existing businesses of the Group are principally capital intensive, in particular the investment in securities and money lending businesses, and the proceeds generated from the previous fund-raising activities (i.e. the share placement completed in September 2014 and the rights issue completed in December 2014) of the Group have been fully allocated to and substantially utilized by the Group's existing business operations; (v) the Company being able to agree on normal commercial terms with the Underwriter, after arm's length negotiation (with reference to, among other factors, the existing market conditions), to fully underwrite all the Rights Shares under the Rights Issue (irrespective of whether the acquisition of the Target Group will be materialized); and (vi) the Company has considered the alternative of having the Rights Issue being conditional on the acquisition of the Target Group, however, as the proposed acquisition of the Target Group may or may not proceed, the Company has concerns that the opportunity of raising funds for the Company under the Rights Issue, which is fully underwritten by the Underwriter, will be foregone, we are of the view that the Rights Issue to be conducted is justifiable and we concur with the view of the Directors that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

III. Principal terms of the Rights Issue

Basis of the Rights Issue

Qualifying Shareholders will be offered one (1) Rights Share for every two (2) existing Shares in issue and held on the Record Date.

The Rights Share, when allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

Subscription Price

The Subscription Price for the Rights Share is HK\$0.15 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue.

The Subscription Price represents:

- (a) a discount of approximately 49.15% to the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 39.27% to the theoretical ex-rights price of approximately HK0.247 per Share based on the closing price of HK\$0.295 per Share as quoted on the Stock Exchange on the Last Trading Day;

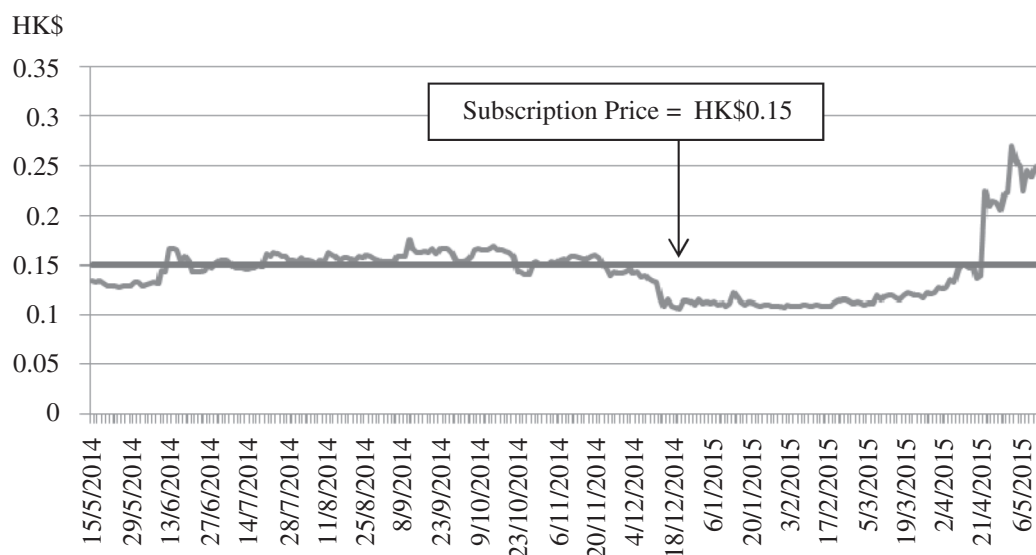
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) a discount of approximately 41.63% to the average closing price of approximately HK\$0.257 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 22.68% to the average closing price of approximately HK\$0.194 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day; and
- (e) a discount of approximately 71.70% as to the closing price of HK\$0.53 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As set out in the Board Letter, the Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions and it is the same as the Placing Price under the Placing. The Directors (including the independent non-executive Directors) consider that the terms of the Rights Issue, including the Subscription Price which has been set at a reasonable discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company in the future, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Historical trading prices

We have reviewed the historical trading prices of the Shares for the period commencing from 15 May 2014, being the 12 month period prior to the Last Trading Day, up to and including the date of the Last Trading day (the "Review Period"). The chart below shows the daily closing prices of the Shares for the Review Period against the Subscription Price.



Source: The website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the lowest closing price and highest closing price were HK\$0.106 per Share on 22 December 2014 and HK\$0.2950 per Share on 15 May 2015 respectively and the average

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

closing price was HK\$0.1456 per Share. The Subscription Price lies close to the average closing price of the Shares during the Review Period and represents premium of approximately 3.02%. Having considered (i) the Subscription Price lies close to the average closing price during most of the Review Period; and (ii) the Rights Issue is available to all Qualifying Shareholders providing them with an equal chance in participating in the Rights Issue, we are of the view that the Subscription Price for the Rights Share to be fair and reasonable.

Comparison with recent Rights Issues

We considered a comparison with the rights issues conducted by other companies listed on the Main Board and the Growth Enterprise Market of the Stock Exchange to provide a more general reference for the Subscription Price. We have identified all rights issues (the “Comparables”) (i) announced by other companies that are listed on the Stock Exchange from 15 February 2015 up to and including 15 May 2015, being the date of the Last Trading Day (the “Comparable Period”); and (ii) have not been suspended for trading for more than 12 months before the dates of the respective announcements in relation to the rights issue transactions, for reference. Having considered that the recent volatility of the Hong Kong stock market and that the Comparable Period (i) has covered the prevailing market conditions and sentiments in the Hong Kong stock market; (ii) represents the recent structure of the rights issues in Hong Kong; and (iii) can allow the Shareholders to have general understanding in details of other rights issue transactions, we consider that the Comparables reflect the recent trends of rights issue transactions in the market and consider the Comparables are fair and representative samples. Details of the Comparables are summarized in the following table:

Date of announcement	Company (Stock Code)	Basis of entitlement	Discount of the subscription price to the closing price on the last trading day (%)	Discount of the theoretical ex-rights price to the closing price on the last trading day (%)	Maximum dilution (%) (Note 1)	Underwriting commission (%)	Excess application
15/5/2015	Eternity Investment Limited (764)	1 for 1	(4.11)	(2.05)	50.00	2.50	yes
14/5/2015	Capital Estate Limited (193)	1 for 2	(34.50)	(11.35)	33.33	2.00	yes
4/5/2015	Shihua Development Company Limited (485) (Note 2)	2 for 1	(63.10) (Note 3)	N/A	66.67	2.50	yes
30/4/2015	South China Financial Holdings Limited (619)	1 for 2	(42.53)	(14.37)	33.33	1.00	yes
24/4/2015	Hong Kong Education (Int'l) Investments Limited (1082) (Note 2)	4 for 1	(69.97) (Note 3)	N/A	80.00	3.50	yes

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company (Stock Code)	Basis of entitlement	Discount of the subscription price to the closing price on the last trading day (%)	Discount of the theoretical ex-rights price to the closing price on the last trading day (%)	Maximum dilution (%) (Note 1)	Underwriting commission (%)	Excess application
22/4/2015	Landing International Development Limited (582)	10 for 1	(75.86)	(68.97)	90.91	2.25 (Note 5)	yes
21/4/2015	Capital Environment Holdings Limited (3989)	1 for 1	(25.00)	(11.67)	50.00	0.00	yes
9/4/2015	Hanny Holdings Limited (275)	6 for 1	(74.19) (Note 4)	(62.90)	85.71	3.00	yes
26/3/2015	Wai Yuen Tong Medicine Holdings Limited (897)	1 for 2	(31.65)	(10.76)	33.33	2.50	yes
26/3/2015	Emperor Capital Group Limited (717)	1 for 2	(32.40)	(10.81)	33.33	3.00	yes
18/3/2015	Haitong International Securities Group Limited (665)	1 for 1	(33.71)	(16.86)	50.00	1.00	yes
11/3/2015	Larry Jewelry International Company Limited (8351)	9 for 1	(84.71)	(76.24)	90.00	2.50	yes
27/2/2015	Joy City Property Limited (207)	1 for 2	(5.60)	(2.10)	33.33	N/A (Note 6)	yes
24/2/2015	Get Holdings Limited (8100)	3 for 1	(59.80) (Note 3)	(44.83)	75.00	3.50	yes
17/2/2015	Shanghai Tonva Petrochemical Co., Ltd. (1103)	4.5 for 10	(6.02)	(1.81)	31.03	1.00	yes
17/2/2015	Get Nice Holdings Limited (64)	1 for 2	(21.13)	(7.04)	33.33	1.00	yes
		Minimum discount	(4.11)	(1.81)			
		Maximum discount	(84.71)	(76.24)			
		Average discount	(37.94)	(24.41)			
		Maximum			90.91	3.50	
		Minimum			27.59	0.00	
		Average			51.37	1.94	
	Company	1 for 2	(49.15)	(16.27)	33.33	2.50	yes

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Maximum dilution effect of each rights issue is calculated as: $((\text{number of rights shares to be issued under the basis of entitlement})/(\text{number of existing shares held for the entitlement for the rights shares under the basis of entitlement} + \text{number of rights shares to be issued under the basis of entitlement}) \times 100\%)$, e.g. for a rights issue with basis of one (1) rights share for every two (2) existing shares, the maximum dilution effect is calculated as $((1)/(1+2)*100\%) =$ approximately 33.33%.
2. The Comparable contains rights issue transactions with bonus issue of share and are excluded from calculations due to difference in nature of transaction.
3. The closing price on the last trading day used for calculation was adjusted taking into account the effect of the capital reorganization of the respective comparable.
4. The closing price on the last trading day used for calculation was adjusted taking into account the effect of the share consolidation of the comparable.
5. There are two underwriters for the rights issue conducted by this Comparable. The average underwriting commission to the two underwriters (i.e. 2.50% and 2.00% respectively) was used for our calculation for illustrative purposes.
6. The proposed rights issue of this Comparable was on non-underwritten basis hence no underwriting commission.

As shown in the above table, the discounts represented by the subscription prices to the closing prices of shares of the Comparables on the last trading days prior to the release of the respective announcements ranged from approximately 4.11% to approximately 84.71% (the “LTD Market Range”) with average being a discount of approximately 37.94%. The discount of approximately 49.15% represented by the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the LTD Market Range.

The discounts represented by the theoretical ex-rights prices to the closing prices of shares of the Comparables on the last trading days prior to the release of the respective announcements ranged from 1.81% to approximately 76.24% (the “Price Discount Market Range”) with the average being a discount of approximately 24.41%. The discount of approximately 16.27% (the “Price Discount”) represented by the theoretical ex-rights price to the closing price of the Shares on the Last Trading Day falls within the Price Discount Market Range.

Having considered (i) the Subscription Price was determined at after arm’s length negotiations between the Company and the Underwriter; (ii) the same Subscription Price is offered to all Qualifying Shareholders; (iii) the discount represented by the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the LTD Market Range; (iv) the discount represented by the Subscription Price to the closing price of the Shares on the Last Trading Day would attract the Qualifying Shareholders to participate in the Rights Issue; and (v) the Price Discount falls within the Price Discount Market Range and is less than the mean of the Price Discount Market Range such that the dilution impact for the Shareholders who do not take up in full their assured entitlement is relatively less than other rights issue exercises of the Comparables, we consider the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Underwriting commission

The Company will pay the Underwriter a commission rate of 2.50% of the aggregate Subscription Price of the number of Underwritten Shares under the Rights Issue as determined on the Record Date. The commission rate was determined after arm's length negotiation between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. As set out in the Board Letter, the Board considers the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders are concerned.

Based on our Comparables, which cover the prevailing market conditions and sentiments in the Hong Kong stock market and represent the recent structure of rights issues in Hong Kong, we noted the underwriting commission rate of 2.50% is higher than the mean but falls within the range of the underwriting commissions of the Comparables. In view of the underwriting commission rate of 2.50% (i) was determined after arm's length negotiations between the Company and the Underwriter; and (ii) aligns with the market rate of the Comparables, we consider it to be fair and reasonable so far as the Independent Shareholders are concerned.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders, for any Rights Shares provisionally allotted but not accepted and for any unsold Rights Shares arising out of the aggregation of fractional entitlements.

Application for excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for with the Registrar. The Directors will allocate the excess Rights Shares (if any) at their discretion on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to Rights Shares comprised in applications by PAL or the existing number of Shares held by Qualifying Shareholders. No preference will be given to topping up odd lots to whole board lots. Further details on the application for excess Rights Shares are also set out in the Board Letter.

Other financing alternatives

The Company proposed to fund-raise by way of the Rights Issue and the Placing. As advised by the Company, the Board has considered other forms of fund-raising activities such as debt financing and open offer; however, the Directors consider that the Rights Issue and the Placing represent good opportunities to strengthen the financial position of the Group and to raise additional funds at a reasonable cost to support the Group's continuing development and business growth. The Rights Issue will give the Qualifying Shareholders the opportunity to subscribe for the Shares according to their respective shareholding interests in the Company; whereas, the Placing may further broaden the Company's shareholder base and, where additional institutional and professional investors are to be introduced as a result, will further enhance the profile of the Company's shareholder base. Hence, the Board considers that fund raising through the Rights Issue and the Placing is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) debt financing and bank borrowing would result in additional interest burden to the Group; (ii) even though an open offer is similar to a rights issue, the Rights Issue enables the Qualifying Shareholders who decide not to participate in the Rights Issue an alternative to trade in the nil-paid rights in the market for economic benefits; and (iii) the Rights Issue provides all Qualifying Shareholders the opportunities to participate in the enlargement of the capital base of the Company to support the Group's continuing development and business growth, we are of the view that fund-raising by way of the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Potential dilution of the Rights Issue

As set out under the section headed "SHAREHOLDING STRUCTURE OF THE COMPANY" in the Board Letter, assuming that no Qualifying Shareholder take up his/her/its entitlements under the Rights Issue, the shareholdings of the existing Independent Shareholder will be decreased from 100% as at the Latest Practicable Date to approximately 66.67% upon completion of the Rights Issue and to be further decreased to approximately 39.19% upon completion of the placing of the Underwritten Placing Shares and Best Effort Placing Shares (if fully placed). As in all other rights issue, the dilution on the shareholding of those Qualifying Shareholders who do not take up in full their assured entitlement under the rights issue is inevitable. However, it should be noted that such Shareholders will have the opportunity to realize their nil-paid rights to subscribe for the Rights Shares in the market during the dealing of the nil-paid Rights Shares on the Stock Exchange, subject to the then prevailing market conditions. The dilution magnitude of any rights issue depends mainly on the extent of the basis of entitlement under such exercise, where the higher the offering ratio of rights shares to existing shares is, the greater the dilution on the existing shareholding would be.

Meanwhile, Qualifying Shareholders who wish to increase their shareholdings in the Company through the Rights Issue may, subject to availability, acquire additional nil-paid Rights Shares in the market. The Qualifying Shareholders may also apply for excess Rights Shares.

Taking into account (i) the Rights Issue would enable the Group to strengthen its capital base and financial position to cater for future development; (ii) the inherent dilutive nature of Rights Issue for non-participating Shareholders in general; (iii) Qualifying Shareholders have their choice whether to accept the Rights Issue or not; (iv) the factors set out under the section headed "II. Reasons for and benefits of entering into the Underwriting Agreement" in this letter; and (v) the Qualifying Shareholders have the opportunity to realize their nil-paid rights by selling them in the open market for cash if they do not wish to participate in the Rights Issue, we consider the potential dilution effect on the shareholding which may attribute to the Qualifying Shareholders who decide not to accept the Rights Issue to be acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial effects

Net asset value

According to the unaudited pro forma financial information of the Group as set out in Appendix II of the Circular, the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2014 was approximately HK\$1,259.67million. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue and the Placing would be in the range of approximately HK\$2,768.13 million (assuming that the Best Effort Placing Shares are placed in full) and HK\$2,256.26 million (assuming that no Best Effort Placing Shares are placed) as a result of the inflow of the estimated net proceeds from the Rights Issue and Placing.

Working capital

Upon completion of the Rights Issue, the bank balances and cash of the Group will be increased as a result of the net proceeds received from the Rights Issue. Accordingly the working capital and liquidity position of the Group will be improved as a result of the Rights Issue.

In light of the above, we consider the Rights Issue is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

RECOMMENDATION

Taking into account of the factors and reasons as mentioned in this letter, we consider that the terms of the Rights Issue are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole. We would therefore advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Rights Issue to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

Note: Ms. Julisa Fong is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 18 years of experience in investment banking and corporate finance.

APPENDIX I FINANCIAL AND OTHER INFORMATION OF THE GROUP

A. THREE-YEAR FINANCIAL INFORMATION

The published audited consolidated financial statements of the Group for the three years ended 31 December 2012, 2013 and 2014 are disclosed in the annual reports of the Company for the three years ended 31 December 2012, 2013 and 2014. The said annual reports of the Company are available on both the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.irasia.com/listco/hk/chinastrategic/>).

Below please find quick links to the annual reports of the Company:

For the year ended 31 December 2014:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0429/LTN20150429143.pdf>

For the year ended 31 December 2013:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0414/LTN20140414217.pdf>

For the year ended 31 December 2012:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0425/LTN20130425985.pdf>

B. INDEBTEDNESS

At the close of business on 30 April 2015, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

C. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the present available resources to the Group including the estimated net proceeds from the Right Issue and the Placing, the available banking facilities and the Group's internally generated funds, the Group will have sufficient working capital to satisfy its present requirements for at least the next 12 months following the date of this circular.

D. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

APPENDIX I FINANCIAL AND OTHER INFORMATION OF THE GROUP

E. BUSINESS AND FINANCIAL REVIEW

Revenue of the Group for the year ended 31 December 2014 was HK\$417.6 million against the HK\$109.5 million for the year ended 31 December 2013. The Group's total comprehensive income for the year ended 31 December 2014 was HK\$366.3 million (total comprehensive expense for the year ended 31 December 2013: HK\$18.2 million). Consolidated profit for the year ended 31 December 2014 was HK\$379.8 million (consolidated loss for the year ended 31 December 2013: HK\$17.7 million), which comprised gross profit of HK\$30.7 million (for the year ended 31 December 2013: HK\$12.8 million), other income of HK\$2.9 million (for the year ended 31 December 2013: HK\$3.8 million), other gain of HK\$0.1 million (for the year ended 31 December 2013: HK\$nil), net gain on financial assets at fair value through profit and loss of HK\$279.1 million (for the year ended 31 December 2013: HK\$19.1 million), selling and distribution costs of HK\$1.9 million (for the year ended 31 December 2013: HK\$nil), administrative expenses of HK\$43.5 million (for the year ended 31 December 2013: HK\$43.1 million), finance costs of HK\$0.1 million (for the year ended 31 December 2013: HK\$nil), gain on disposal of subsidiaries of HK\$7.2 million (for the year ended 31 December 2013: HK\$nil) and profit for the year from discontinued operation of HK\$106.5 million (loss for the year from discontinued operation for the year ended 31 December 2013: HK\$9.9 million). Subsequent to the year end and up to the Latest Practicable Date, the Group has continued to carry on its existing businesses of investment in securities, money lending and trading of metal minerals and electronic components. The development of the Group's businesses is largely in line with the management's expectations. Owing to the recent general upturn of the stock market in Hong Kong, the management noted that the overall performance of the Group's investment in securities business was very encouraging over the past five months since the published audited financial statements for the year ended 31 December 2014. Further details of the performance of the Group's investment in securities business are disclosed in the Company's announcement dated 18 June 2015.

As at 31 May 2015, the Group held the following securities portfolios, which are broadly classified under various business groups, for long-term and short-term investment purpose:

Long-term Investment

Equity securities of a banking company, which is listed on the Stock Exchange, is held for long-term investment purpose and is classified as "available-for-sale investments" in the Company's consolidated statement of financial position:

Category of company	Weighting to the total market value of the long-term securities portfolio (%)
Banking company	100.0

As at 31 May 2015, the Group only held the listed equity securities of a banking company for long-term investment purpose.

APPENDIX I FINANCIAL AND OTHER INFORMATION OF THE GROUP

Short-term Investment

Equity securities of the following category of companies, which are listed on the Stock Exchange, are held for short-term investment purpose and are classified as “financial assets at fair value through profit or loss” in the Company’s consolidated statement of financial position:

Category of companies	Approximate weighting to the total market value of the short-term securities portfolio (%)
Infrastructure company	7.0
Property company	9.2
Industrial materials company	1.6
Healthcare services company	2.9
Financial services and investment company	53.5
Mining and resources company	9.9
Conglomerate company	7.0
Entertainment and media company	8.3
Others	0.6
Total	<u>100.0</u>

As at 31 May 2015, the Group had invested in different category of companies and their weightings to the total market value of the securities portfolio held by the Group is as above.

The Company generally acquires securities listed on the Stock Exchange or other recognised stock exchanges with good liquidity that can facilitate swift execution of securities transactions. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macro-economic news. When deciding on acquiring securities to be held for long-term purposes, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospect, industry and macro-economic outlook etc. When deciding on acquiring securities to be held for short-term purpose, in addition to the factors mentioned, references will also be made to prevailing market sentiments on different sectors of the investment markets. For long-term securities investments, the Company mainly emphasises on return of investment in form of capital appreciation and dividend income. For short-term securities investments, the Company mainly emphasises on return of investment in form of trading gains.

APPENDIX I FINANCIAL AND OTHER INFORMATION OF THE GROUP

As for the Group's money lending business, as at 31 May 2015, the Group had made loans to individuals and corporate clients with details as follows:

Category of borrowers	Approximate weighting to the total value of the loan portfolio (%)	Interest rate per annum	Maturity
Individual	91.2	12%-18%	Within one year
Corporate	<u>8.8</u>	18%	Within one year
Total	<u>100.0</u>		

The Group has also granted a standby loan facility to an individual equivalent to 12 million Renminbi which had not been drawn down as at 31 May 2015.

Up to 31 May 2015, the existing money lending operation managed by the current management has experienced zero default rate and the business has been progressing well.

F. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Looking forward, the slowdown of the Mainland's economy, the uncertainties about the possible rise of interest rate in the United States and the instabilities in the European economy may all pose negative impact to the global investment markets including Hong Kong. Although there are signs that the sentiments of Hong Kong stock market have become more positive recently and the stock market has shown a general upturn and an increase in trading volume, the Company's management will continue to take a prudent approach in managing the Group's securities investments portfolio with a view to maintaining a stable profit growth of this business. In light of the profitable results of the money lending business achieved for the year ended 31 December 2014, the Group will continue to develop this business by allocating additional financial resources to it with the view that it will contribute a stable income stream to the Group in future years. As for the Group's trading business, the management will continue to pursue the goal of enlarging the supplier and customer base of this business in order to allow a higher volume of trades to be transacted. In order to strengthen the Group's capital base, the Company had conducted the share placement and rights issue exercises during the year ended 31 December 2014 and raised in aggregate net proceeds of approximately HK\$287 million. The Group has deployed the new capital raised to continue developing its existing businesses as well as seeking investment opportunities with good potential with the view to enhance shareholders' value.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

**UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET
TANGIBLE ASSETS OF THE GROUP**

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules to illustrate the impacts of the Rights Issue and the Placing on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue and the Placing had taken place on 31 December 2014.

The unaudited pro forma financial information is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2014, as extracted from the published annual report of the Company for the year ended 31 December 2014, and is adjusted for the impacts of the Rights Issue and the Placing.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not reflect a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue and the Placing.

	Consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2014	Estimated net proceeds from the Rights Issue	Estimated net proceeds from the Placing	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the impacts of the Rights Issue and the Placing
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>
Based on 3,329,237,945 Rights Shares and 7,000,000,000 Placing Shares to be issued	<u>1,259,673</u>	<u>485,804</u>	<u>1,022,653</u>	<u>2,768,130</u>
Based on 3,329,237,945 Rights Shares and 3,500,000,000 Placing Shares to be issued	<u>1,259,673</u>	<u>485,804</u>	<u>510,778</u>	<u>2,256,255</u>

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

Consolidated net tangible
assets of the Group
attributable to owners of
the Company per Share as
at 31 December 2014
(Note 5) HK\$0.19

Unaudited pro forma
adjusted consolidated net
tangible assets of the
Group attributable to
owners of the Company
per Share as adjusted for
the impacts of the Rights
Issue and the Placing
(assuming 3,329,237,945
Rights Shares and
7,000,000,000 Placing
Shares to be issued)
(Note 6) HK\$0.16

Unaudited pro forma
adjusted consolidated net
tangible assets of the
Group attributable to
owners of the Company
per Share as adjusted for
the impacts of the Rights
Issue and the Placing
(assuming 3,329,237,945
Rights Shares and
3,500,000,000 Placing
Shares to be issued)
(Note 7) HK\$0.17

Notes:

1. The consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2014 is extracted from the published audited annual report of the Company for the year ended 31 December 2014.
2. The estimated net proceeds from the Rights Issue of approximately HK\$485,804,000 is calculated based on 3,329,237,945 Rights Shares to be issued on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date at the Subscription Price of HK\$0.15 per Rights Share, after deduction of the estimated related expenses including commission, financial advisory fee and other professional fees, which are directly attributable to the Rights Issue of approximately HK\$13,582,000.
3. The Placing is inter-conditional with the Rights Issue. Upon the Placing and Underwriting Agreement and the Underwriting Agreement becoming unconditional, dealings in the fully-paid Rights Shares and the Placing Shares shall commence on the same day. The estimated net proceeds from the Placing of approximately HK\$1,022,653,000 or

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

HK\$510,778,000 is calculated based on 7,000,000,000 Placing Shares or 3,500,000,000 Placing Shares respectively to be issued at the Placing Price of HK\$0.15 per Placing Share, after deduction of the estimated related expenses including commission, financial advisory fee and other professional fees, which are directly attributable to the Placing of approximately HK\$27,347,000 for 7,000,000,000 Placing Shares or approximately HK\$14,222,000 for 3,500,000,000 Placing Shares.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the impacts of the Rights Issue and the Placing represents the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2014 plus the estimated net proceeds from the Rights Issue and the Placing as set out in Notes 2 and 3 above.
5. The calculation of the consolidated net tangible assets of the Group attributable to owners of the Company per share is based on the 6,658,475,890 Shares in issue as at 31 December 2014.
6. The calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as adjusted for the impacts of the Rights Issue and the Placing, assuming 3,329,237,945 Rights Shares and 7,000,000,000 Placing Shares are issued, is based on 16,987,713,835 Shares which comprise of 6,658,475,890 Shares in issue as at 31 December 2014 and 3,329,237,945 Rights Shares and 7,000,000,000 Placing Shares to be issued.
7. The calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as adjusted for the impacts of the Rights Issue and the Placing, assuming 3,329,237,945 Rights Shares and 3,500,000,000 Placing Shares are issued, is based on 13,487,713,835 Shares which comprise of 6,658,475,890 Shares in issue as at 31 December 2014 and 3,329,237,945 Rights Shares and 3,500,000,000 Placing Shares to be issued.
8. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2014.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of the independent reporting accountant's assurance report dated 29 June 2015, prepared for the sole purpose of inclusion in this circular, received from independent reporting accountants, Deloitte Touche Tohmatsu, in respect of the unaudited pro forma financial information of the Group.



INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA STRATEGIC HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of the unaudited pro forma financial information of China Strategic Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2014 and related notes as set out on pages 46 to 48 of Appendix II to the circular issued by the Company dated 29 June 2015 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 46 to 48 of Appendix II to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impacts of the proposed rights issue of 3,329,237,945 Rights Shares at the subscription price of HK\$0.15 per Rights Share (the "Rights Issue") and the placing of a maximum number of 7,000,000,000 Placing Shares (the "Placing") on the Group's financial position as at 31 December 2014 as if the Rights Issue and the Placing had taken place at 31 December 2014. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the year ended 31 December 2014, on which an independent auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited pro forma financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29 June 2015

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The Company does not have an authorized share capital. The Shares do not have any nominal value. The issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the completion of the Rights Issue and the Placing (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) were and will be as follows:

(a) As at the Latest Practicable Date

6,658,475,890 Shares in issue

(b) Immediately following completion of (i) the Rights Issue; (ii) the Placing of Underwritten Placing Shares; and (iii) the Placing of Best Effort Placing Shares (if fully placed) (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date)

6,658,475,890 Shares in issue

3,500,000,000 Underwritten Placing Shares to be allotted and issued under the Placing

3,500,000,000 Best Effort Placing Shares to be allotted and issued under the Placing

3,329,237,945 Rights Shares to be allotted and issued under the Rights Issue

16,987,713,835

All the Rights Shares and Placing Shares to be issued will rank pari passu in all respects with each other, including, in particular, as to dividends, voting rights and capital, and once issued and fully paid, with all the Shares in issue as at the date of allotment and issue of the Rights Shares and the Placing Shares.

The Company will apply to the Listing Committee for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms and the Placing Shares. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Placing Shares or Rights Shares or any other securities of the Company to be listed or dealt

in on any other stock exchange. As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived. As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants and there was no capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option.

As at the Latest Practicable Date, no share or loan capital of the Company or any members of the Group had been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted, except for the Rights Shares and the Placing Shares.

3. INTERESTS OF DIRECTORS

(a) Interests in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 to the Listing Rules), to be notified to the Company and the Stock Exchange.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Interests in contracts

As at the Latest Practicable Date, there was no contract or arrangement entered into by any member of the Group subsisting, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

(d) Interests in competing business

As at the Latest Practicable Date, so far as the Directors were aware of, none of the Directors and their respective close associates had an interest in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group that needs to be disclosed pursuant to Rule 8.10 of the Listing Rules.

(e) **Directors' service contracts**

As at the Latest Practicable Date, there were no existing or proposed service contracts between the Directors and the Company or any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation other than statutory compensation).

4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the persons (other than a Director and the chief executive of the Company) had an interest or short position in the Shares and underlying Shares as recorded in the register of interests in Shares and short positions required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of Shares interested in	Approximate percentage of interest (Note 3)
Emperor Capital Group Limited (Note 1)	Interest of controlled corporation	6,829,237,945	68.38%
Albert Yeung Holdings Limited (Note 1)	Interest of controlled corporation	6,829,237,945	68.38%
STC International Limited (Note 1)	Trustee	6,829,237,945	68.38%
Dr. Yeung Sau Shing, Albert (Note 1)	Founder of discretionary trust	6,829,237,945	68.38%
Ms. Luk Siu Man, Semon (Note 1)	Interest of spouse	6,829,237,945	68.38%
Get Nice Securities Limited (Note 2)	Beneficial owner	1,664,000,000	16.66%
Get Nice Incorporated (Note 2)	Interest of controlled corporation	1,664,000,000	16.66%
Get Nice Holdings Limited (Note 2)	Interest of controlled corporation	1,664,000,000	16.66%

Notes:

- Emperor Securities Limited is deemed to be interested in these Shares by virtue of the Underwriting Agreement and the Placing and Underwriting Agreement. Based on the notices of disclosure of interests filed with the Stock Exchange, Emperor Securities Limited is an indirect wholly-owned subsidiary of Emperor Capital Group Limited, the shares of which are listed on the Stock Exchange. 67.38% of the shares of Emperor Capital Group Limited are held by Emperor Capital Group Holdings Limited. The entire issued share capital of Emperor Capital Group Holdings Limited is held by Albert Yeung Discretionary Trust ("AY Trust"). Dr. Yeung Sau Shing, Albert, as founder of the AY Trust, and Ms. Luk Siu Man, Semon, as the spouse of Dr. Yeung Sau Shing, Albert, are deemed to be interested in the 6,829,237,945 Shares for the purposes of the SFO.
- Based on the notices of disclosure of interests of Get Nice Securities Limited, Get Nice Incorporated and Get Nice Holdings Limited filed with the Stock Exchange, Get Nice Securities Limited is interested in 1,664,000,000 Rights Shares by virtue of its sub-underwriting commitment of these Rights Shares. Get Nice Securities Limited is wholly-owned by Get Nice Incorporated which in turn is wholly-owned by Get Nice Holdings Limited.

3. The percentage of interest is calculated based on the existing issued share capital as enlarged by the Rights Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company are not aware of any other persons (not being a Director or chief executive of the Company) who had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital.

5. LITIGATION

As at the Latest Practicable Date, there were no litigations or claims of material importance, known to the Directors, pending or threatened against any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within two years immediately preceding up to and including the Latest Practicable Date and were or might be material:

- (i) the agreement dated 31 July 2013 entered into between Windmax Investments Limited, an indirect wholly owned subsidiary of the Company, and HEC Capital Limited in relation to the proposed acquisition of shares representing approximately 20.23% of the total issued share capital of Cordoba Homes Limited at a consideration of HK\$267,944,600 (the transaction of which was subsequently terminated on 29 November 2013);
- (ii) the joint investment agreement dated 31 July 2013 entered into between Main Choice Investments Limited, an indirect wholly owned subsidiary of the Company, and Cordoba Homes Limited in relation to the establishment of an investment company for the purpose of extending the Group's business to money lending and other related financing business;
- (iii) the sale and purchase agreement dated 8 May 2014 entered into between Ace York Holdings Limited, a wholly owned subsidiary of the Company, and 萬蘊琪 (Wan Yunqi, literal translation of the Chinese name) in relation to the disposal by Ace York Holdings Limited to 萬蘊琪 (Wan Yunqi, literal translation of the Chinese name) of the entire issued share capital of Professional Goal Holdings Limited and shareholders' loan at a total consideration of HK\$5,000,000 which was fully settled in cash;
- (iv) the placing agreement dated 19 August 2014 entered into between the Company and Emperor Securities Limited in relation to the placing of a maximum of 739,800,000 Shares on a best effort basis at the placing price of HK\$0.160 per Share and raised net proceeds of approximately HK\$115.30 million;

- (v) the underwriting agreement dated 22 October 2014 entered into between the Company and Enerchine Securities Limited in relation to the rights issue at a price of HK\$0.08 per rights Share on the basis of one (1) rights Share for every two (2) Shares held on 4 November 2014 and raised net proceeds of approximately HK\$172 million;
- (vi) the cornerstone investment agreement dated 10 December 2014 entered into among the Company, Prospect Vantage Holdings Limited, Shenjing Bank Co., Ltd., China Merchants Securities (HK) Co., Limited and Sheng Yuan Securities Limited in relation to the subscription of H shares in Shenjing Bank Co., Ltd. by Propsect Vantage Holdings Limited at the final offer price of the H shares as sold in the global offering of H shares in Shenjing Bank Co., Ltd. at an aggregate amount of US\$20 million;
- (vii) the memorandum of understanding dated 15 May 2015 entered into between Success China Worldwide Limited, an indirect wholly owned subsidiary of the Company and two individuals in relation to the acquisition of the total issued share capital of a Hong Kong company for an indicative price of HK\$2 billion;
- (viii) the Underwriting Agreement; and
- (ix) the Placing and Underwriting Agreement.

7. EXPERTS AND CONSENTS

- (a) The following are the qualifications of the experts who have given opinions, letters or advice which are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Veda Capital Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO

- (b) Each of the above experts has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of the references to its name and/or opinion in the form and context in which they are included.
- (c) As at the Latest Practicable Date, none of the above experts had any interest, direct or indirect, in any assets which had been, since 31 December 2014, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (d) As at the Latest Practicable Date, none of the above experts had any shareholding in any member of the Group and any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. CORPORATE INFORMATION

Registered Office	Rooms 3206-3210, 32nd Floor China Resources Building 26 Harbour Road Wanchai Hong Kong
Authorised Representatives	Mr. Chow Kam Wah Flat 2708, 27th Floor Fu Chung House Mei Chung Court, Tai Wai Shatin, New Territories Mr. Sue Ka Lok Room 1516, Block E Kornhill Hong Kong
Company Secretary	Mr. Sue Ka Lok (a fellow of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia, a fellow member of both The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and an ordinary member of the Hong Kong Securities and Investment Institute)
Auditor/ Reporting Accountants	Deloitte Touche Tohmatsu 35th Floor, One Pacific Place 88 Queensway Hong Kong
Principal Bankers	Bank of China (Hong Kong) Limited 1 Garden Road Central Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong Bank of Communication Co., Ltd., Hong Kong Branch 17th Floor 28 Hennessy Road Wanchai Hong Kong

Share Registrar and Transfer Office	Tricor Standard Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Legal Advisers to the Company	<i>As to Hong Kong law</i> Reed Smith Richards Butler 20th Floor, Alexandra House 18 Chater Road Central, Hong Kong Tung & Co. Office 1601, 16th Floor LHT Tower 31 Queen's Road Central Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Veda Capital Limited Suite 3711, 37th Floor Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong

9. PARTICULARS OF DIRECTORS

Executive Directors

Dr. Or Ching Fai, aged 65, joined the Company as an Executive Director and the Chief Executive Officer in November 2009. Dr. Or was appointed as the Chairman of the Company on 2 March 2012. He is also a director of various subsidiaries of the Company. Dr. Or graduated from The University of Hong Kong in 1972 and was awarded an Honorary Doctor of Social Science from the City University of Hong Kong in 2014. Dr. Or is a Justice of the Peace and has rich experiences in the insurance, banking and financial services industries. He was the general manager and a director of The Hongkong and Shanghai Banking Corporation Limited. He was also the chairman of HSBC Insurance Limited. Dr. Or was the chief executive and vice-chairman of Hang Seng Bank Limited (stock code: 11), a company listed in Hong Kong. He was also the chairman of Hang Seng Insurance Company Limited and Hang Seng Bank (China) Limited. Dr. Or was the chairman of the Hong Kong Association of Banks; the vice president and a council member of the Hong Kong Institute of Bankers; the chairman of Executive and Campaign Committee of the Community Chest of Hong Kong. Dr. Or is a vice patron of the board of the Community Chest of Hong Kong. Dr. Or was awarded a Silver Bauhinia Star from the Hong Kong Special Administrative Region and Honorary University Fellowships from The University of Hong Kong in 2009. Dr. Or has been the chairman of the Financial Services Advisory Committee and a member of the Services Promotion Programme Committee of the Hong Kong Trade Development Council. He has been a member of the Risk Management Committee

of Hong Kong Exchanges and Clearing Limited and a member of the Aviation Development Advisory Committee. He was the deputy chairman of the Council of City University of Hong Kong and was a council member of The University of Hong Kong; an adviser of the Employers' Federation of Hong Kong, a member of the 5th East Asian Games Planning Committee and a director of 2009 East Asian Games (Hong Kong) Limited. Dr. Or was a director of Cathay Pacific Airways Limited (stock code: 293) and Hutchison Whampoa Limited (stock code: 13). Dr. Or is the chairman and an independent non-executive director of Esprit Holdings Limited (stock code: 330), a vice-chairman and an independent non-executive director of G-Resources Group Limited (stock code: 1051) ("G-Resources") and an independent non-executive director of Chow Tai Fook Jewellery Group Limited (stock code: 1929), Television Broadcasts Limited (stock code: 511) and Industrial and Commercial Bank of China Limited (stock code: 1398). All of the above companies are listed in Hong Kong.

Mr. Sue Ka Lok, aged 50, joined the Group in November 2014 and was appointed as an Executive Director and the Company Secretary of the Company in December 2014 and April 2015 respectively. Mr. Sue is also a director of various subsidiaries of the Company. He holds a Bachelor of Economics degree from The University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia, a fellow of both The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and an ordinary member of the Hong Kong Securities and Investment Institute. He has extensive experience in corporate management, finance, accounting and company secretarial practice. Mr. Sue is an executive director of BEP International Holdings Limited (stock code: 2326) ("BEP International") and was the chief executive officer of BEP International until 10 January 2014. Mr. Sue is also an executive director and the chief executive officer of Enviro Energy International Holdings Limited (stock code: 1102). Mr. Sue was the chairman and a non-executive director of Winshine Entertainment & Media Holding Company Limited (formerly known as China Tycoon Beverage Holdings Limited) (stock code: 209) until 4 November 2014 and 27 November 2014 respectively. Mr. Sue was an executive director and the chief executive officer of Mission Capital Holdings Limited (formerly known as Poly Capital Holdings Limited) (stock code: 1141) ("Mission Capital") until 31 October 2014 and was also an executive director and the chairman of Hailiang International Holdings Limited (formerly known as Sunlink International Holdings Limited) (stock code: 2336) until 3 June 2014. All of the above companies are listed in Hong Kong.

Ms. Lee Chun Yeung, Catherine, aged 47, joined the Group in September 2014 and was appointed as an Executive Director of the Company in February 2015. Ms. Lee is also a director of various subsidiaries of the Company. She holds a Bachelor of Arts degree from Guangdong University of Foreign Studies (formerly known as Guangzhou Institute of Foreign Languages) and a Master of Business Administration degree from the University of South Australia. Ms. Lee has extensive experience in international trading of metal minerals and commodities. Ms. Lee had worked as an economist in a major commercial bank and a senior executive in a state-owned trading group in the People's Republic of China (the "PRC"). Ms. Lee was an executive director of Mission Capital until 20 August 2014.

Mr. Hui Richard Rui, aged 47, joined the Company as an Executive Director in September 2008. Mr. Hui is also a director of various subsidiaries of the Company. He graduated from University of Technology, Sydney of Australia with a bachelor's degree in mechanical engineering. Mr. Hui has over 10 years of experience in management positions of companies in Australia, Hong Kong and the PRC. Mr. Hui is an executive director of G-Resources and CST Mining Group Limited (stock code: 985) ("CST Mining"). All of the above companies are listed in Hong Kong.

Mr. Chow Kam Wah, aged 52, joined the Company as an Executive Director in July 2007. Mr. Chow is also a director of various subsidiaries of the Company. He holds a master's degree in accountancy from The Hong Kong Polytechnic University. Mr. Chow has over 15 years of managerial experience in finance and accounting. He is a certified practising accountant of the CPA Australia.

Independent Non-Executive Directors

Ms. Ma Yin Fan, aged 51, joined the Company as an Independent Non-executive Director in September 2007. Ms. Ma obtained a bachelor's degree with honours in accounting from Middlesex University in the United Kingdom. She is also awarded the Master of Business Administration and Master in Professional Accounting degree from Heriot-Watt University in the United Kingdom and The Hong Kong Polytechnic University respectively. Ms. Ma is a CPA (Practising) in Hong Kong and has been working in the auditing, accounting and taxation areas with more than 20 years of professional experience. She is the principal of Messrs. Ma Yin Fan & Company CPAs. Ms. Ma is a fellow member of the Hong Kong Institute of Certified Public Accountants, Institute of Chartered Accountants in the England and Wales, Taxation Institute of Hong Kong, Association of Chartered Certified Accountants, Hong Kong Institute of Chartered Secretaries and Institute of Chartered Secretaries and Administrators. She is also a Certified Tax Advisor in Hong Kong. Ms. Ma was an independent non-executive director of China New Energy Power Group Limited (stock code: 1041) ("China New Energy") until 14 November 2014 and is an independent non-executive director of G-Resources and CST Mining. All of the above companies are listed in Hong Kong.

Mr. Chow Yu Chun, Alexander, aged 68, joined the Company as an Independent Non-executive Director in March 2011. Mr. Chow is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. He has over 35 years of experience in commercial, financial and investment management in Hong Kong and Mainland China. Mr. Chow was a non-executive director of New World China Land Limited (stock code: 917) until 28 December 2012 and is an independent non-executive director of Playmates Toys Limited (stock code: 869) and Top Form International Limited (stock code: 333), and has been appointed as an independent non-executive director of Symphony Holdings Limited (stock code: 1223) on 15 December 2014. All of the above companies are listed in Hong Kong.

Mr. Leung Hoi Ying, aged 64, joined the Company as an Independent Non-executive Director in September 2007. Mr. Leung graduated from Guangdong Foreign Trade School in the PRC. He has over 15 years of experience in the trading business and business development. He was an independent non-executive director of China New Energy until 14 November 2014 and is an independent non-executive director of G-Resources. All of the above companies are listed in Hong Kong.

Business address of the Directors

The business address of the Directors is the same as the Company's head office and principal place of business in Hong Kong located at Room 3206-3210, 32nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

10. GENERAL

This circular, the notice of EGM and the accompanying proxy form are prepared in both English and Chinese. In the event of inconsistency, the English texts shall prevail.

11. EXPENSES

The expenses in connection with the Rights Issue and the Placing, including underwriting commission, placing commission, financial advising fees, printing, registration, translation, legal and accounting fees are estimated to be in the range of approximately HK\$27.8 million to HK\$40.9 million and are payable by the Company.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at Room 3206-3210, 32nd Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, from the date of this circular up to and including the date of the EGM:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 December 2012, 31 December 2013 and 31 December 2014;
- (c) the letter from the Independent Board Committee, the text of which is set out on page 27 of this circular;
- (d) the letter of advice from Veda Capital, the text of which is set out on pages 28 to 41 of this circular;
- (e) the independent reporting accountants' assurance report on the compilation of unaudited pro forma financial information of the Group issued by Deloitte Touche Tohmatsu set out in Appendix II to this circular;
- (f) the material contracts disclosed in the paragraph under the heading "MATERIAL CONTRACTS" in this Appendix;
- (g) the written consents referred to in the paragraph under the heading "EXPERTS AND CONSENTS" in this Appendix; and
- (h) this circular.

NOTICE OF EGM



CHINA STRATEGIC HOLDINGS LIMITED

中策集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 235)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of China Strategic Holdings Limited (the “Company”) will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 17 July 2015 at 10:30 a.m. or any adjournment thereof (as the case may be) for the purpose of considering and, if thought fit, passing, with or without amendment, the below resolutions of the Company.

ORDINARY RESOLUTIONS

1. “**THAT** conditional upon (i) the placing as referred to in resolution 2 set out in this notice being approved and becoming unconditional; (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant the listing of and permission to deal in the Rights Shares (as defined below) (in their nil-paid and fully-paid forms); (iii) the filing and registration of all documents relating to the Rights Issue (as defined below) required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance in Hong Kong:
 - (a) the issue by way of rights (the “Rights Issue”) of 3,329,237,945 new shares (the “Right Shares”) at a subscription price of HK\$0.15 per Rights Share to the shareholders of the Company (the “Shareholders”) whose names shall appear on the register of members of the Company at the close of business on 28 July 2015 (the “Qualifying Shareholders”), or such other date as the Company and the Underwriter (as defined below) may agree as the record date for determination of the entitlements of the Shareholders to the Rights Issue (the “Record Date”) (excluding those Shareholders (the “Non-Qualifying Shareholders”) whose addresses on the register of members of the Company are outside Hong Kong on the Record Date in respect of whom the director(s) of the Company (the “Director(s)”), after making relevant enquiries, consider it necessary or expedient to exclude from the Rights Issue on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s)), on the basis of one (1) Rights Share for every two (2) existing shares held on the Record Date pursuant to the terms and conditions as set out in the underwriting agreement (the “Underwriting Agreement”) dated 18 May 2015 in respect of the Rights Issue and entered into between the Company and Emperor Securities Limited (the “Underwriter”) (a copy of

NOTICE OF EGM

which marked “A” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification), and all the transactions contemplated thereunder (including but not limited to the underwriting of the Rights Shares by the Underwriter), be and are hereby approved;

- (b) any Director be and is hereby authorized to issue and allot the Rights Shares pursuant to and in connection with the Rights Issue notwithstanding that (i) the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors be and are hereby authorized to make such exclusions or other arrangements in relation to fractional entitlements and/or Non-Qualifying Shareholders as they deem necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong; (ii) the Rights Shares which would otherwise have been made available for application by the Qualifying Shareholders or the Non-Qualifying Shareholders (as the case may be) will be made available for subscription under forms of application for excess Rights Shares; and
 - (c) any Director be and is hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Rights Issue, the Underwriting Agreement and all the transactions contemplated thereunder.”
2. “**THAT** conditional upon (i) the rights issue as referred to in resolution 1 set out in this notice being approved and becoming unconditional; (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant the listing of and permission to deal in the Placing Shares (as defined below):
- (a) the allotment and issue of the Placing Shares (as defined below), pursuant to and subject to the terms and conditions of the placing and underwriting agreement dated 18 May 2015 and entered into between the Company as issuer and Emperor Securities Limited as placing agent in relation to the placing of a maximum of 7,000,000,000 new shares of the Company (the “Placing” and the “Placing Shares”) in the share capital of the Company at a placing price of HK\$0.15 per Placing Share (the “Placing and Underwriting Agreement”) on a best effort basis in respect of a maximum of 3,500,000,000 Placing Shares and on a fully underwritten basis in respect of 3,500,000,000 Placing Shares (a copy of which marked “B” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification), and all the transactions contemplated thereunder, be and are hereby approved; and

NOTICE OF EGM

- (b) any Director be and is hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors in their absolute discretion consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Placing, the Placing and Underwriting Agreement and all the transactions contemplated thereunder.”

By Order of the Board
China Strategic Holdings Limited
Or Ching Fai
Chairman

Hong Kong, 29 June 2015

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her/it. A proxy need not be a member of the Company.
2. To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company's share registrar in Hong Kong, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. As at the date of this notice, the Board comprises five Executive Directors, namely Dr. Or Ching Fai (Chairman and Chief Executive Officer), Mr. Sue Ka Lok, Ms. Lee Chun Yeung, Catherine, Mr. Hui Richard Rui and Mr. Chow Kam Wah; and three Independent Non-executive Directors, namely Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying.