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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 RIGHTS SHARE FOR  
EVERY TWO EXISTING SHARES HELD ON RECORD DATE;  
(II) PLACING OF NEW SHARES UNDER THE SPECIFIC MANDATE;  
AND  
(III) RESUMPTION OF TRADING**

**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

The Company proposes to raise not more than approximately HK\$1,549 million and not less than approximately HK\$1,024 million by way of the Rights Issue and the Placing.

## **PROPOSED RIGHTS ISSUE**

The Company proposes 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.

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and be a Qualifying Shareholder. In order to be registered as a member of the Company on the Record Date, all transfers of existing Shares (together with the relevant share certificate(s)) must be lodged with the Registrar by no later than 4:30 p.m. on Thursday, 9 July 2015. The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus (without the PALs and EAFs), for information only, to the Non-Qualifying Shareholders on the Posting 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 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 announcement.

The Rights Issue is inter-conditional with the Placing.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 10 July 2015 to Wednesday, 15 July 2015 (both days inclusive) for determining the entitlements to the Rights Issue during which period no transfer of Shares will be registered.

**The Rights Issue is conditional, inter alia, upon fulfillment of the conditions set out under the section headed “Conditions of the Rights Issue”. In particular, the Rights Issue is subject to the Underwriter not terminating the Underwriting Agreement in accordance with the terms set out under the section headed “Termination of the Underwriting Agreement”. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or potential investors contemplating selling or purchasing Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will**

**bear the risk that the Rights Issue could not become unconditional and may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.**

## **THE PLACING**

On 18 May 2015 (before trading hours), 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 Places 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 Price represents (i) 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; (ii) 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 last five consecutive trading days up to and including the Last Trading Day; and (iii) 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.

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 date of this announcement; (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.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing and Underwriting Agreement.

The Placing is inter-conditional with the Rights Issue.

**As the Placing may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.**

### **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 this 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 Underwriting Agreement and the transactions contemplated thereunder. As at the date of this announcement, 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 date of this announcement. 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.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to make recommendations to the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder. An independent financial adviser shall be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

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, 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 under the Specific Mandate.

### **GENERAL**

The aggregate 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 will be not more than approximately HK\$1,508 million and not less than approximately HK\$996 million and are intended to be used 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.

A circular containing, among other things, (i) further details about the Rights Issue, the Underwriting Agreement, the Placing under the Specific Mandate, the Placing and Underwriting Agreement and the transactions contemplated thereunder; and (ii) the notice convening the EGM, will be despatched to the Shareholders on or before 17 June 2015.

The Prospectus containing further information regarding, among other things, the Rights Issue, including information on application and acceptances of the Rights Issue and application for excess Rights Shares, and other information in respect of the Group, the PAL and the EAF are expected to be despatched to the Qualifying Shareholders on or before 16 July 2015. The Prospectus (without the PAL and the EAF) will be despatched to the Non-Qualifying Shareholders for their information only.

#### **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been halted from 9:00 a.m. on Monday, 18 May 2015 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on 21 May 2015.

#### **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” below). Accordingly, the Rights Issue may or may not proceed.**

**The Shares are expected to be dealt in on an ex-rights basis from Wednesday, 8 July 2015. Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 20 July 2015 to Monday, 27 July 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 and therefore, the Placing may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

The Company proposes to raise not more than approximately HK\$1,549 million and not less than approximately HK\$1,024 million by way of the Rights Issue and the Placing.

## **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 date of this announcement: | 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         |

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 date of this announcement 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 date of this announcement.

### **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 Thursday, 9 July 2015.

### **Closure of register of members**

The register of members of the Company will be closed from Friday, 10 July 2015 to Wednesday, 15 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**

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders, if any. If, based on legal opinions to be provided by the legal advisors to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place of his registered address or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be extended to such Overseas Shareholders.

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).

## **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; and
- (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.

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. 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 and/or Placing Share upon full acceptance of the relevant provisional allotment of Rights Shares and full completion of the Placing 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.

### **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 Friday, 7 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 Friday, 7 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 Thursday, 30 July 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.

## **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.

### **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,

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 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 Placing and the 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**

### **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 Underwriter and its ultimate beneficial owners are Independent Third Parties.

Pursuant to the Placing and Underwriting Agreement, the Placing Agent have 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 date of this announcement; (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 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 new substantial shareholder (as defined in the Listing Rules) of the Company after the completion 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 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; and
- (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.

The Placing Price is the same as the Subscription Price. 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 assumption of completion of the Placing, 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;
- (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 Placées 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.

## **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 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 Placing and the 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:-
- (a) 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
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring 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
  - (c) 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

- (d) 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
- (e) 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:

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

### **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.

### **EXPECTED TIMETABLE**

The expected timetable for the Rights Issue and the Placing is set out below. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

| <b>Event</b>  | <b>Date (2015)</b>                    |
|---|---------------------------------------|
| Expected date of despatch of the circular in relation to the Rights Issue and the Placing to the Shareholder together with notice of EGM and proxy form for EGM | Wednesday, 17 June                    |
| Latest time for lodging proxy forms for the EGM   | 10:30 a.m. on Saturday, 4 July        |
| Expected date and time of the EGM   | 10:30 a.m. on Monday, 6 July          |
| Announcement of the poll result of the EGM  | Monday, 6 July                        |
| Last day of dealing in the Shares on cum-rights basis   | Tuesday, 7 July                       |
| First day of dealing in the Shares on ex-rights basis   | Wednesday, 8 July                     |
| Latest time for lodging transfer of the Shares in order to be qualified for the Rights Issue  | 4:30 p.m. on Thursday, 9 July         |
| Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive)  | Friday, 10 July to Wednesday, 15 July |
| Record Date for the Rights Issue  | Wednesday, 15 July                    |
| Prospectus Documents expected to be despatched  | Thursday, 16 July                     |
| First day of dealing in nil-paid Rights Shares  | 9:00 a.m. on Monday, 20 July          |

| <b>Event</b>   | <b>Date (2015)</b>                 |
|--|------------------------------------|
| Latest time for splitting in nil-paid Rights Shares  | 4:30 p.m. on<br>Wednesday, 22 July |
| Last day of dealings in nil-paid Rights Shares   | 4:00 p.m. on<br>Monday, 27 July    |
| Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares       | 4:00 p.m. on<br>Thursday, 30 July  |
| Latest time for termination of the Underwriting Agreement  | 4:00 p.m. on<br>Tuesday, 4 August  |
| Announcement of allotment result of the Rights Issue   | Thursday, 6 August                 |
| Refund cheques for wholly and partially unsuccessful applications for excess Rights Shares expected to be posted | on or before<br>Friday, 7 August   |
| Certificates for the Rights Shares expected to be despatched   | on or before<br>Friday, 7 August   |
| Completion of Placing  | Friday, 7 August                   |
| Dealings in fully-paid Rights Shares and Placing Shares commence   | 9:00 a.m. on<br>Monday, 10 August  |

## **SHAREHOLDING STRUCTURE OF THE COMPANY**

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (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.

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

|   | As at the date of this announcement |               | 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/<br>Placees procured<br>by the Placing<br>Agent | —                                   | —             | —  | —             | 3,500,000,000  | 25.95         | 7,000,000,000   | 41.21         |
| Other public<br>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         |
| <b>Total</b>  | <b>6,658,475,890</b>                | <b>100.00</b> | <b>9,987,713,835</b>                         | <b>100.00</b> | <b>13,487,713,835</b>  | <b>100.00</b> | <b>16,987,713,835</b>   | <b>100.00</b> |

## Scenario 2 — No Shareholder has taken up the Rights Shares

|   | As at the date of this announcement |               | 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/<br>subscribers<br>procured by the<br>Underwriter | —                                   | —             | 3,329,237,945                                | 33.33         | 3,329,237,945  | 24.68         | 3,329,237,945   | 19.60         |
| Placing Agent/<br>Placees procured<br>by the Placing<br>Agent | —                                   | —             | —  | —             | 3,500,000,000  | 25.95         | 7,000,000,000   | 41.21         |
| Other public<br>Shareholders                                  | 6,658,475,890                       | 100.00        | 6,658,475,890                                | 66.67         | 6,658,475,890  | 49.37         | 6,658,475,890   | 39.19         |
| <b>Total</b>  | <b>6,658,475,890</b>                | <b>100.00</b> | <b>9,987,713,835</b>                         | <b>100.00</b> | <b>13,487,713,835</b>  | <b>100.00</b> | <b>16,987,713,835</b>   | <b>100.00</b> |

### 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.

## **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.

## **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 this announcement.

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 rights share for every two shares held on the then record date, at an issue price of HK\$0.08 per rights share. The net proceeds from the rights issue were approximately HK\$172 million. Completion of the 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 this announcement, the net proceeds have been used as to approximately 26% for the Company's money lending business, as to approximately 51% for its metal minerals and electronic components trading business and the balance for its investment in securities business.

Save as disclosed above, no other fund raising exercise was carried out by the Company during the twelve months period immediately preceding the date of this announcement.

## **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 this 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 date of this announcement, 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 date of this announcement. 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.



An Independent Board Committee comprising all the independent non-executive Directors has been formed to make recommendations to the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder. An independent financial adviser shall be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

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.

## **GENERAL**

The EGM will be convened and held for the Shareholders to consider and if thought fit to approve the Rights Issue, the Underwriting Agreement, the Placing under the Specific Mandate, the Placing and Underwriting Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) further details about the Rights Issue, the Underwriting Agreement, the Placing under the Specific Mandate, the Placing and Underwriting Agreement and the transactions contemplated thereunder; and (ii) the notice convening the EGM, will be despatched to the Shareholders on or before 17 June 2015.

The Prospectus containing further information regarding, among other things, the Rights Issue, including information on application and acceptances of the Rights Issue and application for excess Rights Shares, and other information in respect of the Group, the PAL and EAF are expected to be despatched to the Qualifying Shareholders on or before 16 July 2015. The Prospectus (without the PAL and EAF) will be despatched to the Non-Qualifying Shareholders for their information only.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been halted from 9:00 a.m. on Monday, 18 May 2015 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on 21 May 2015.

## **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.**

**The Shares are expected to be dealt in on an ex-rights basis from Wednesday, 8 July 2015. Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 20 July 2015 to Monday, 27 July 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 and therefore, the Placing may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

### **DEFINITIONS**

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

|                              |   |
|------------------------------|---|
| “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 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  |
| “HKSCC”                   | Hong Kong Securities Clearing Company Limited   |
| “HK\$”                    | Hong Kong dollar, the lawful currency of Hong Kong  |

|                                |   |
|--------------------------------|---|
| “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 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 Stock Exchange before the release of this announcement   |
| “Latest Time for Acceptance”   | 4:00 p.m. on Thursday, 30 July 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 Tuesday, 4 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   |
| “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 Placing Agent in respect of the Placing   |
| “Placing Agent” or “Underwriter”     | Emperor Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)  |
| “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”            | Thursday, 16 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  |
| “Previous Rights Issue”   | the rights issue of 2,219,491,963 rights shares on the basis of one rights share for every two 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”             | Wednesday, 15 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  |
| “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  |
| “Subscription Price”          | HK\$0.15 per Rights Share  |
| “Underwriting Agreement”      | the underwriting agreement dated 18 May 2015 which is 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   |
| “%”                           | per cent   |

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

Hong Kong, 20 May 2015

*As at the date of this announcement, 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.*