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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)

DISCLOSEABLE TRANSACTION IN RELATION TO FORMATION OF AN INVESTEE COMPANY AND EXTENSION OF THE SCOPE OF PRINCIPAL ACTIVITIES

FORMATION OF AN INVESTEE COMPANY

The Board is pleased to announce that on 31 July 2013, Main Choice (an indirect wholly-owned subsidiary of the Company) has entered into the Joint Investment Agreement with the Investment Partner. Pursuant to the Joint Investment Agreement, both Main Choice and the Investment Partner have agreed to establish the Investee Company to be incorporated in Hong Kong with issued share capital of HK\$10,000. Upon incorporation of the Investee Company, Main Choice will have 51% shareholding and the Investment Partner Representative will have 49% shareholding in the Investee Company respectively. The Investee Company will become an indirectly owned subsidiary of the Company. Both Main Choice and the Investment Partner shall further inject their respective pro rata contributions into the Investee Company such that the total amount of investment in the Investee Company will be HK\$50 million.

EXTENSION OF THE SCOPE OF PRINCIPAL ACTIVITIES

The Group intended to extend the scope of its existing principal activities to include money lending and other related financing business, so as to diversify its business scope with a view to broaden the Group's revenue base and achieve better Shareholder's return. It is intended that the money lending business, whether through the Investee Company or other subsidiaries of the Group, will enable the Group to generate stable income as a recurrent source of revenue.

Upon incorporation of the Investee Company, the Investee Company will carry out money lending and other related financing business, with particular emphasis on, but not limited to, properties financing.

GENERAL

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the transaction under the Joint Investment Agreement exceed 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company under the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 31 July 2013, Main Choice (an indirect wholly-owned subsidiary of the Company) has entered into the Joint Investment Agreement with the Investment Partner. Pursuant to the Joint Investment Agreement, both Main Choice and the Investment Partner have agreed to establish the Investee Company to be incorporated in Hong Kong with issued share capital of HK\$10,000 which shall comprise of 10,000 shares of HK\$1.00 each. Upon incorporation of the Investee Company, Main Choice will have 51% shareholding and the Investment Partner Representative will have 49% shareholding in the Investee Company respectively. The Investee Company will become an indirectly owned subsidiary of the Company. Both Main Choice and the Investment Partner shall further inject their respective pro rata contributions into the Investee Company such that the total amount of investment in the Investee Company will be HK\$50 million.

The Group intended to extend the scope of its existing principal activities to include money lending and other related financing business, so as to diversify its business scope with a view to broaden the Group's revenue base and achieve better Shareholder's return. It is intended that the money lending business, whether through the Investee Company or other subsidiaries of the Group, will enable the Group to generate stable income as a recurrent source of revenue.

Upon incorporation of the Investee Company, the Investee Company will carry out money lending and other related financing business, with particular emphasis on, but not limited to, properties financing.

THE JOINT INVESTMENT AGREEMENT

Set out below are major terms of the Joint Investment Agreement:

Date and Parties

Date: 31 July 2013

Parties: Main Choice

Investment Partner

The Investment Partner is principally engaged in investment holding, property holding and money lending activities.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Investment Partner and its ultimate beneficial owners are third parties independent of the Group and its Connected Persons.

Formation of the Investee Company

Main Choice and the Investment Partner shall establish the Investee Company, a limited liability company to be incorporated in Hong Kong with issued share capital of HK\$10,000 which shall comprise of 10,000 shares of par value of HK\$1.00 each. In accordance with the terms set out in the Joint Investment Agreement, the Investee Company shall have an issued share capital of HK\$10,000, of which Main Choice shall hold 51% and the Investment Partner Representative shall hold 49%. Upon incorporation of the Investee Company, Main Choice and the Investment Partner shall procure the Investee Company to apply for and obtain a money lender's licence to be granted under the Money Lenders Ordinance (Cap. 163).

The principal business of the Investee Company shall be money-lending with particular emphasis on, but not limited to, properties financing.

Total Commitment

Main Choice and the Investment Partner undertake and commit that they shall contribute to the Investee Company in the form of subscription of the share capital of the Investee Company or by way of shareholders' loans made to the Investee

Company or a combination of both the aforesaid means in the following amounts (“Committed Investment Sums”):

	Amount
Main Choice:	HK\$25,500,000
Investment Partner Representative:	HK\$24,500,000

For the avoidance of doubt, the Committed Investment Sums shall include the initial subscription of share capital of the Investee Company of HK\$10,000 by Main Choice and the Investment Partner Representative.

Composition of the board of directors

Representation on the board of directors is based on respective shareholding interests of Main Choice and the Investment Partner Representative in the Investee Company.

Initially, the board of directors of the Investee Company shall consist of three directors, of whom two shall be appointed and may be removed from time to time at the nomination by and/or request of Main Choice and one at the nomination by and/or request of the Investment Partner Representative.

Main Choice shall have the right to nominate, from time to time, out of the directors appointed at its request, the chairman of the board of directors of the Investee Company.

Condition of the Joint Investment Agreement

- (1) The respective obligations of Main Choice and the Investment Partner are conditional upon the passing of the resolution(s) by the Shareholders of the Company to approve the Joint Investment Agreement and the transactions contemplated thereunder in accordance with the Listing Rules, if required.
- (2) If the condition as specified in (1) above is not fulfilled on or before 29 November 2013 or such later date as Main Choice and the Investment Partner may agree in writing from time to time, the Joint Investment Agreement shall terminate. Upon termination of the Joint Investment Agreement, none of the parties shall have any claim against the other for costs, damages, compensation or otherwise, save for any antecedent breaches and claims.

EXTENSION OF THE SCOPE OF PRINCIPAL ACTIVITIES AND REASONS FOR ENTERING INTO THE JOINT INVESTMENT AGREEMENT

The Group intended to extend the scope of its existing principal activities to include money lending and other related financing business, so as to diversify its business scope with a view to broaden the Group's revenue base and achieve better Shareholder's return. It is intended that the money lending business, whether through the Investee Company or other subsidiaries of the Group, will enable the Group to generate stable income as a recurrent source of revenue.

Upon incorporation of the Investee Company, the Investee Company will carry out money lending and other related financing business, with particular emphasis on, but not limited to, properties financing. The Directors consider that the Investment Partner has experience and expertise in the money lending business and are of the view that the Investment Partner's such expertise can be employed to the operation of the business of the Investee Company. While the Investment Partner will provide needed know-how and has influence on the Investee Company, the Investee Company when formed will be a subsidiary of the Group and will be under the Company's management control.

The Directors consider that the Joint Investment Agreement is entered into upon normal commercial terms following arm's length negotiations with the Investment Partner and the Directors also consider that the terms of the Joint Investment Agreements are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

GENERAL

The Group intends to fund its commitment under the Joint Investment Agreement by internal financial resources.

The Group is principally engaged in the manufacturing and trading of battery products and investments in securities.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Hong Kong Listing Rules) in respect of the transaction under the Joint Investment Agreement exceeds 5% but less than 25%, the transaction constitutes a discloseable transaction of the Company under the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	China Strategic Holdings Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Connected Persons”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Investee Company”	The company to be established by Main Choice and the Investment Partner pursuant to the Joint Investment Agreement
“Investment Partner”	Cordoba Homes Limited, (a company incorporated in the British Virgin Islands with limited liability and is principally engaged in property investment and money lending business)
“Investment Partner Representative”	Investment Partner or its designated nominee
“Joint Investment Agreement”	The agreement entered into between Main Choice and the Investment Partner on 31 July 2013 for establishment of the Investee Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Main Choice”	Main Choice Investments Limited, a company incorporated in the British Virgin Islands with limited liability, and is an indirect wholly owned subsidiary of the Company
“Share(s)”	share(s) of HK\$ 0.1 each in the share capital of the Company
“Shareholder(s)”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 1 August 2013

As at the date hereof, the Board comprises Mr. Or Ching Fai, Ms. Chiu Ching Ching, Mr. Hui Richard Rui, Ms. Chan Ling, Eva and Mr. Chow Kam Wah as executive directors of the Company and Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying as independent non-executive directors of the Company