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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)**

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO SHARES HELD ON THE RECORD DATE**

**Underwriter**



**ENERCHINE SECURITIES LIMITED**

#### **PROPOSED RIGHTS ISSUE**

The Company proposes to raise approximately HK\$177.56 million (before expenses) by issuing 2,219,491,963 Rights Shares at the Subscription Price of HK\$0.08 per Rights Share. The nil-paid Rights Shares will be provisionally allotted to the Qualifying Shareholders on the basis of one Rights Share for every two Shares held by the Qualifying Shareholders on the Record Date. The Rights Issue will not be available to the Excluded Shareholders. Excess application may be made by the Qualifying Shareholders. The net proceeds from the Rights Issue are estimated to be approximately HK\$172 million. In the event that the Rights Issue becomes unconditional, the Company intends to utilise the net proceeds of the Rights Issue 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 metals and electronic products trading business; and (iii) the remaining balance for opportunistic investments and general corporate purpose. The Group is in the course of setting up a new consumer finance division focusing on the personal loan market under its money lending operation, it is intended that the part of net proceeds to be allocated to the Group's money lending business will be first applied to the development of this new consumer finance division if its business progresses well.

Assuming no change in the share capital of the Company before the Record Date, the aggregate number of the Rights Shares to be issued pursuant to the terms of the Rights Issue amounts to 2,219,491,963 Shares and represents (i) 50% of the Company's existing issued share capital; and (ii) approximately 33.3% of the issued share capital of the Company as enlarged by the issue and allotment of the Rights Shares.

Pursuant to the Underwriting Agreement, the Underwritten Rights Shares, to the extent not subscribed by Shareholders, will be fully underwritten by the Underwriter subject to the conditions set out in the Underwriting Agreement. If the Underwriter terminates the Underwriting Agreement or the conditions of the Rights Issue set out below under the paragraph headed "Conditions of the Rights Issue" are not satisfied, the Rights Issue will not proceed.

#### **WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES**

**The Rights Issue is subject to, among other things, the fulfillment of the conditions set out in the paragraph headed "Conditions of the Rights Issue" below. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms. Accordingly, the Rights Issue may or may not proceed and the Shareholders and the public are reminded to exercise caution when dealing in the Shares.**

**Any dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealing in the Rights Shares in their nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholder or other person contemplating any dealings in the Shares or Rights Shares in their nil-paid form is recommended to consult their own professional advisers.**

#### **GENERAL**

As the proposed Rights Issue will not increase the issued share capital or the market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the approval of the Shareholders.

The Rights Issue Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus (without the PAL and EAF) will be despatched to the Excluded Shareholders for information only.

## PROPOSED RIGHTS ISSUE

### Issue statistics

Basis of the Rights Issue	:	One Rights Share for every two Shares held by the Qualifying Shareholders on the Record Date
Number of Shares in issued as at the date of this announcement	:	4,438,983,927 Shares
Number of Rights Shares	:	2,219,491,963 Rights Shares (assuming no change in share capital of the Company before the Record Date)
Aggregate nominal value of the Rights Shares	:	the Rights Shares have no nominal value
Subscription Price	:	HK\$0.08 per Rights Share
Enlarged issued share capital of the Company upon completion of the Rights issue (assuming no change in the share capital of the Company before the Record Date)	:	6,658,475,890 Shares
Funds raised before expenses	:	approximately HK\$177.56 million
Underwriter	:	Enerchine Securities Limited, a corporation licensed to conduct type 1 (dealing in securities) regulated activity and an Independent Third Party. For background purpose, a fellow subsidiary of the Underwriter holds 2,500,000 Shares representing approximately 0.06% of the issued share capital of the Company as at the date of this announcement

## **Basis of Provisional Allotment**

One Rights Share for every two Shares held by a Qualifying Shareholder on the Record Date.

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

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.

## **Subscription Price**

The Subscription Price for the Rights Shares is HK\$0.08 per Rights Share, payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 59.80% to the closing price of HK\$0.199 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 60.98% to the average closing price of approximately HK\$0.205 per Share for the five consecutive trading days ended on the Last Trading Day; and
- (iii) a discount of approximately 49.69% to the theoretical ex-rights price of approximately HK\$0.159 per Share based on the closing price of HK\$0.199 per Share as quoted on the Stock Exchange on the Last Trading Day.

Assuming no change in the share capital of the Company before the Record Date, the Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 50% of the existing issued share capital of the Company and will represent approximately 33.3% of the issued share capital of the Company as enlarged by the Rights Issue. Based on the Subscription Price of HK\$0.08 and assuming no change in the shareholding structure of the Company from the date of this announcement to immediately after completion of the Rights Issue, the gross proceeds to be raised by the Company from the Rights Issue will amount to approximately HK\$177.56 million (before expenses).

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. The Directors consider that the discount would encourage the Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the potential growth of the Group. The Directors consider the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the best interest of the Company and the Shareholders as a whole.

### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be an Excluded Shareholder. In order to be registered as members of the Company on the Record Date, all transfers of the Shares must be lodged (together with the relevant share certificate(s)) with the Registrar by 4:30 p.m. (Hong Kong time) on Thursday, 30 October 2014.

### **Excluded Shareholders**

The Prospectus will not be registered or filed under the securities legislation of any jurisdiction other than Hong Kong.

The Directors will make enquiries pursuant to Rule 13.36(2) of the Listing Rules. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place to exclude such Overseas Shareholders from the Rights Issue, no Rights Shares will be offered to such Overseas shareholders. In such circumstances, the Rights Issue will not be extended to the Excluded Shareholders. The Company will send the Prospectus (without the PAL and EAF) to the Excluded Shareholders for their information only.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. Proceeds of such sale, less expenses and stamp duty, above HK\$100 will be paid to the relevant Excluded Shareholders in Hong Kong dollars (pro rata to their shareholdings). The Company will retain individual amount of HK\$100 or less than HK\$100 for the benefit of the Company. Any unsold entitlements of the Excluded Shareholders will be available for excess application on the EAF by the Qualifying Shareholders.

## **Fractional entitlements to the Rights Shares**

The Company will not provisionally allot fractions of the Rights Shares but fractional entitlements will be aggregated and made available for excess application on the EAF by the Qualifying Shareholders.

## **Application for excess Rights Shares**

The Directors will allocate the excess Rights Shares (if any) at their discretion with reference to the level of acceptance of the Rights Shares and the number of excess Rights Shares available on a fair and equitable basis on the following principles:

- (i) no preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their nil-paid Rights Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result; and
- (ii) subject to the availability of excess Rights Shares, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro rata basis based on the excess Rights Shares applied for by them.

In applying the principles in (i) and (ii) above, reference will only be made to the number of excess Rights Shares being applied for. No reference will be made to Rights Shares comprised in applications by PAL or the existing number of Shares held by the Qualifying Shareholders. The Directors are of the view that such allocation of excess Rights Shares is fair and equitable as all Qualifying Shareholders are also entitled to apply for the excess Rights Shares. In addition, any Rights Shares not applied for by the Qualifying Shareholders will be taken up by the Underwriter.

Investors with their Shares held by a nominee company should note that the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the beneficial owners individually. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. For those investors who would like to have their names registered on the register of members of the Company, all necessary documents must be lodged with the Registrar for completion of the relevant registration by 4:30 p.m. (Hong Kong time) on Thursday, 30 October 2014.

## **Status of the Rights Shares**

When issued and fully paid, the Rights Shares will rank pari passu in all respects with the existing Shares. Holders of fully-paid Rights Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

## **Application for Listing**

The Company will apply to the Listing Committee for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. The board lot size of nil-paid Rights Shares is the same as that of the fully-paid Rights Shares of 5,000 Shares.

No part of the share capital of the Company is listed or deal in or on which listing or permission to deal in is being or is proposed to be sought on any stock exchange other than the Stock Exchange.

## **RIGHTS SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

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 as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC as deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms 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 Operation Procedures in effect from time to time. Shareholders should seek advice from their stockbroker or other professional advisors for details of those settlement arrangements and how such arrangements will affect their rights and interests.

## **Stamp Duty and other fees and charges**

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

## **Share Certificates and Refund Cheques for the Rights Issue**

Subject to the fulfilment of the conditions of the Rights Issue as set out below, certificates for all fully-paid Rights Shares are expected to be posted to the Qualifying Shareholders, and in the case of joint Qualifying Shareholders, to the first-named Qualifying Shareholders, by ordinary post, at their own risks, on or around Monday, 15 December 2014. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or around Monday, 15 December 2014 by ordinary post to the Qualifying Shareholders, and in the case of the joint Qualifying Shareholders, to the first-named Qualifying Shareholders, at their own risk.

### **THE UNDERWRITING AGREEMENT**

Date	:	22 October 2014 (after trading hours)
Underwriter	:	Enerchine Securities Limited
Total number of Underwritten Rights Shares	:	2,219,491,963
Commission	:	2.5%

Pursuant to the Underwriting Agreement, the Underwriter has agreed to subscribe or procure subscribers to subscribe for all Underwritten Rights Shares which are not subscribed for, subject to terms and conditions set out in the Underwriting Agreement in particular the fulfilment of the conditions contained therein. The Company has undertaken that it will not issue or agree to issue new Shares or other convertible securities between the date of the Underwriting Agreement and Record Date.

The Board considers the terms of the Underwriting Agreement including the commission rate were determined after arm's length negotiations between the Company and the Underwriter and are fair and reasonable so far as the Company and the Shareholders are concerned.



## Conditions of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated. The obligations of the Underwriter under the Underwriting Agreement are conditional on:—

- (i) the delivery to the Stock Exchange and registration by the Registrar of Companies in Hong Kong respectively on or prior to the Posting Date of one copy of each of the Rights Issue Documents each duly certified in compliance with section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (and all other documents required to be attached thereto) and the Listing Rules;
- (ii) the posting on the Posting Date of copies of the Rights Issue Documents to the Qualifying Shareholders;
- (iii) compliance by the Company with all its obligations under (i) and (ii) above;
- (iv) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Posting Date and the Listing Committee of the Stock Exchange not having withdrawn or revoked such listings and permission on or before 4:00 p.m. on the Settlement Date;
- (v) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 10 trading days (other than any suspension pending clearance of this announcement);
- (vi) no indication being received before 4:00 p.m. on the Settlement Date from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason; and
- (vii) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter in accordance with the terms thereof.

None of the conditions is capable of being waived. In the event that conditions have not been satisfied on or before the Posting Date (or the relevant dates set out therein) or in the event that the conditions (iv) and (vi) have not been satisfied on or before 4:00 p.m. on the Settlement Date (or such later date as the Underwriter and the Company may agree), all liabilities of the parties thereto shall cease and determine and none of the parties shall have any claim against the other (save in respect of any antecedent breaches and claims).

### **Termination of the Underwriting Agreement**

The Underwriter may terminate the arrangements set out in the Underwriting Agreement by notice in writing issued to the Company at any time prior to 4:00 p.m. on the Settlement Date if there occurs:—

- (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or currency (including any disruption to trading generally or trading in any securities of the Company on any stock exchange, or a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict; or
- (iii) any act of God, fire, flood, explosion, epidemic, earthquake, nuclear or natural disaster, war, act of terrorism, riot, public disorder, civil commotion, strike or lock-out; or
- (iv) any suspension or a material limitation in trading in securities generally on the Stock Exchange, or a general moratorium on commercial banking activities in Hong Kong declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong;

and in the absolute opinion of the Underwriter, such change could have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

If, at or prior to 4:00 p.m. on the Settlement Date:

- (i) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission could have a material and adverse effect on its business, financial or trading position; or
- (ii) the Underwriter shall receive notification, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the Underwriting Agreement was, when given, untrue, inaccurate or misleading, or would be untrue, inaccurate or misleading if repeated as provided in the Underwriting Agreement and the Underwriter shall, in its absolute opinion, determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue;

the Underwriter shall be entitled (but not bound) by notice in writing to the Company prior to the Settlement Date to terminate the Underwriting Agreement and the obligations of all parties under the Underwriting Agreement shall terminate forthwith.

**Upon the giving of such notice, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine and none of the parties thereto shall have any claim against the other parties in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save in respect of any antecedent breaches and claims). If the Underwriter exercises such right, the Rights Issue will not proceed.**

#### **WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES IN NIL-PAID FORM**

**The Rights Issue is subject to, among other things, the fulfilment of the conditions set out in the paragraph headed “Conditions of the Rights Issue” above. In particular, it is subject to the Underwriting Agreement not being terminated in accordance with its terms. Accordingly, the Rights Issue may or may not proceed and the Shareholders and the public are reminded to exercise caution when dealing in the Shares.**

**Any dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealing in the Rights Shares in their nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholder or other person contemplating any dealings in the Shares or Rights Shares in their nil-paid form is recommended to consult their own professional advisers.**

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 31 October 2014 to Tuesday, 4 November 2014, both days inclusive, for the purpose of establishing entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

The expected timetable of the Rights Issue is set out below:

	2014
Publication of the announcement about the Rights Issue ..	Wednesday, 22 October
Last day of dealings in the Shares on a cum-rights basis ....	Tuesday, 28 October
Ex-date (the first day of dealings in the Shares) on an ex-rights basis .....	Wednesday, 29 October
Latest time for lodging transfers of Shares to qualify for the Rights Issue .....	4:30 p.m. on Thursday, 30 October
Book close period to determine the entitlements to the Rights Issue (both dates inclusive) .....	Friday, 31 October to Tuesday, 4 November
Record Date .....	Tuesday, 4 November
Register of members of the Company re-opens .....	Wednesday, 5 November
Despatch of Rights Issue Documents .....	Thursday, 20 November
First day of dealings in nil-paid Rights Shares .....	9:00 a.m. on Monday, 24 November
Latest time for splitting of nil-paid Rights Shares .....	4:30 p.m. on Wednesday, 26 November

Last day of dealings in nil-paid Rights Shares . 4:00 p.m. on Monday, 1 December

Latest time for acceptance of and  
payment for the Rights Shares  
and for application and payment  
for excess Rights Shares ..... 4:00 p.m. on Thursday, 4 December

Latest time for the Rights Issue to  
become unconditional..... 4:00 p.m. on Monday, 8 December

Announcement of the results of  
the Rights issue to be published ..... Friday, 12 December

Despatch of certificates for fully-paid  
Rights Shares and refund cheques ..... Monday, 15 December

Expected first day of dealings in fully-paid  
Rights Shares on the Stock Exchange ..... 9:00 a.m. on Tuesday, 16 December

All times specified in this announcement refer to Hong Kong times. Dates stated in this announcement for events mentioned in the timetable are indicative only and may be extended or varied. The Company will make further announcement if there is any change to the above timetable.

#### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR RIGHTS SHARES**

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

- (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Thursday, 4 December 2014. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 4 December 2014. Instead the latest time of acceptance of and payment for the 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 does not take place on Thursday, 4 December 2014, the dates mentioned in the section headed “Expected Timetable” above may be affected. The Company will notify the Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

## SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company assuming that there is no change in the shareholding structure of the Company from the date of this announcement to immediately after completion of the Rights Issue.

Shareholders	As at the date of this announcement		Immediately after completion of the Rights Issue assuming all the Qualifying Shareholders take up their respective allotment of Rights Shares in full		Immediately after completion of the Rights Issue assuming no Qualifying Shareholders, take up any of the Rights Shares and the Underwriter takes up the Rights Shares to the maximum extent	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Underwriter	0	0	0	0	2,219,491,963	33.33
- fellow subsidiary	2,500,000	0.06	3,750,000	0.06	2,500,000	0.06
Other Shareholders	<u>4,436,483,927</u>	<u>99.94</u>	<u>6,654,725,890</u>	<u>99.94</u>	<u>4,436,483,927</u>	<u>66.61</u>
Total	<u>4,438,983,927</u>	<u>100</u>	<u>6,658,475,890</u>	<u>100</u>	<u>6,658,475,890</u>	<u>100</u>

Pursuant to the Underwriting Agreement, the Underwriter shall use its best endeavours to ensure that each of the subscribers or sub-underwriter(s) of the Underwritten Rights Shares procured by it (i) shall be an Independent Third Party and not acting in concert (within the meaning of the Takeovers Code) with the Company, the directors, or substantial shareholders of the Company or its subsidiaries or any of their respective associates; and (ii) the Underwriter shall and shall cause the sub-underwriters to procure the subscribers to take up such number of Rights Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with immediately after the Rights Issue.

The Underwriter has undertaken that it will not and will procure the ultimate subscribers or purchasers procured by it or the sub-underwriters will not (together with parties acting in concert with them) hold in aggregate 30% or more of the voting rights of the Company immediately after the Rights Issue.

## **REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS**

The Directors consider that it would be in the best interest of the Company and the Shareholders as a whole to raise long-term equity capital through a rights issue. The Rights Issue will also offer existing Shareholders the opportunity to participate in the future development of the Company on equal terms.

The net proceeds from the Rights Issue are estimated to be approximately HK\$172 million (i.e. HK\$0.077 per Rights Share). In the event that the Rights Issue becomes unconditional, the Company intends to utilise the net proceeds of the Rights Issue 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 metals and electronic products trading business; and (iii) the remaining balance for opportunistic investments and general corporate purpose. The Group is in the course of setting up a new consumer finance division focusing on the personal loan market under its money lending operation, it is intended that the part of net proceeds to be allocated to the Group's money lending business will be first applied to the development of this new consumer finance division if its business progresses well.

## **FUND RAISING EXERCISES OF THE COMPANY**

The Company conducted a placing of 739,800,000 new Shares at a price of HK\$0.160 per Share which formed the subject of the Company's announcement dated 19 August 2014. The Company raised total net proceeds of HK\$115.2 million which have been allocated as the general working capital of the Group of which approximately HK\$13 million has been utilised as of the date of this announcement. Save for this, the Company had not conducted any fund raising exercise by way of issue of equities in the past 12 months immediately preceding the date of this announcement.

## **GENERAL**

As the proposed Rights Issue will not increase the issued share capital or the market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the approval of the Shareholders.

The Rights Issue Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus (without the PAL and EAF) will be despatched to the Excluded Shareholders for information only.

## DEFINITIONS

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

“Acceptance Date”	4:00 p.m. on Thursday, 4 December 2014 (or such other time or date as the Underwriter may agree in writing with the Company as the latest date for acceptance of, and payment for, the Rights Shares and application and payment for excess Rights Shares)
“Board”	the board of Directors
“Business Day”	any day (other than Saturday and Sunday) on which the Stock Exchange is open for business of dealings in securities
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“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”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“EAF(s)”	the form of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares
“Excluded Shareholders”	those Overseas Shareholders whom the Directors, after making enquiries regarding the legal restrictions under the laws of the relevant places and the requirements of the relevant regulatory bodies or stock exchanges, consider it necessary or expedient to exclude them from the Rights Issue
“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 Third Party”	third party independent of the Company and its connected person
“Last Trading Day”	22 October 2014
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Posting Date”	Thursday, 20 November 2014 or such other date as the Underwriter may agree in writing with the Company as the date of despatch of the Rights Issue Documents
“Prospectus”	the prospectus to be despatched to Shareholders containing details of the Rights Issue
“Qualifying Shareholders”	Shareholders, other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company as at the Record Date
“Record Date”	Tuesday, 4 November (or such other date as the Underwriter may agree in writing with the Company), being the date by reference to which entitlements to the Rights Issue are to be determined
“Registrar”	the branch share registrar of the Company in Hong Kong, being Tricor Standard Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong

“Rights Issue”	the proposed issue by way of rights on the basis of two Rights Shares for every one Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Rights Issue Documents
“Rights Issue Documents”	the Prospectus, PAL and EAF
“Rights Shares”	2,219,491,963 Share(s) to be issued and allotted under the Rights Issue
“Settlement Date”	Monday, 8 December 2014, being the second Business Day following the Acceptance Date (or such other time or date as the Underwriter and the Company may agree in writing) as the day for settlement of the Rights Issue
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.08 per Rights Share
“Underwriting Agreement”	the underwriting agreement dated 22 October 2014 entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Rights Shares”	2,219,491,963 Rights Shares which are fully underwritten by the Underwriter on the terms and subject to the conditions set out in the Underwriting Agreement
“%”	per cent.

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

Hong Kong, 22 October 2014

*As at the date of this announcement, the Board comprises Mr. Or Ching Fai, Mr. Hui Richard Rui and Mr. Chow Kam Wah as executive Directors and Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying as independent non-executive Directors.*