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華人策略控股有限公司

Chinese Strategic Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 8089)

DISCLOSEABLE TRANSACTION SUBSCRIPTION OF CONVERTIBLE BONDS

On 6 February 2014, the Subscriber, a wholly-owned subsidiary of the Company, agreed to subscribe for the Convertible Bonds in the principal amount of HK\$43,200,000. Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the initial Conversion Price of HK\$0.135 per Conversion Share, a total of 320,000,000 Conversion Shares will be allotted and issued, representing approximately 56.08% of the existing issued share capital of HKBLA as at the date of this announcement and approximately 35.93% of the issued share capital of HKBLA as enlarged by the issue of the Conversion Shares.

As the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Subscription are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company under Rule 19.06 of the GEM Listing Rules.

THE SUBSCRIPTION OF CONVERTIBLE BONDS

The Subscription Agreement

Date

6 February 2014

Parties

Issuer: The Hong Kong Building and Loan Agency Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 145)

Subscriber: Sina Winner Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

As at the date of this announcement, the chairman of the Company, Mr. Lam Kwok Hing Wilfred, J.P. is also the non-executive director of HKBLA and Ms. Yuen Wai Man, an independent non-executive Director of the Company, is also an independent non-executive director of HKBLA. Save for the abovementioned and to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, HKBLA and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules).

Subscription Price

The Subscriber agreed to subscribe for the Convertible Bonds in the principal amount of HK\$43,200,000. The Subscription Price shall be satisfied in cash by the Subscriber upon Completion. The Subscription Price will be satisfied by the internal resources of the Group.

Conditions precedent to the Subscription and Completion

Completion of the Subscription shall be subject to the condition precedents of the convertible bonds placing agreement entered into between HKBLA and FT Securities Limited dated 26 February 2013 (as supplemented by the supplemental placing agreements dated 15 March 2013, 22 August 2013 and 16 October 2013). For details, please refer to the circular and announcements published by HKBLA dated 21 October 2013, and 28 February 2013, 15 March 2013, 22 August 2013 and 16 October 2013 respectively.

Principal terms of the Convertible Bonds

Principal amount: HK\$43,200,000

Conversion Price: The Conversion Price is HK\$0.135 per Conversion Share, subject to anti-dilution adjustments arising from certain events as stated in the Bond Instrument. The Conversion Price of HK\$0.135 represents: (i) a discount of approximately 76.32% to the closing price of HK\$0.57 per HKBLA Share as quoted on the Stock Exchange on 6 February 2014; and (ii) a discount of approximately 76.88% to the average closing price of HK\$0.584 per HKBLA Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription.

Anti-dilution adjustments: The Conversion Price shall from time to time be subject to adjustment in accordance with the followings if, whilst any of the Convertible Bonds remains outstanding, any of the following events or circumstances in relation to HKBLA Shares shall occur:

- (i) consolidation and subdivision;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution;
- (iv) issue of HKBLA Shares by way of rights;
- (v) issue of other securities by way of rights;
- (vi) issue of HKBLA Shares other than by way of rights;
- (vii) issue of HKBLA Shares upon conversion or exchange;
- (viii) modification of rights of conversion or exchange; and
- (ix) offers for HKBLA Shares.

Conversion Shares: Assuming the Convertible Bonds in the principal amount of up to HK\$43,200,000 are converted at the Conversion Price of HK\$0.135, up to a maximum of 320,000,000 new HKBLA Shares will be allotted and issued, representing (a) approximately 56.08% of the existing issued share capital of HKBLA; and (b) approximately 35.93% of the issued share capital of HKBLA as enlarged by the Conversion Shares. As at the date of this announcement, the Company does not intend to convert the Convertible Bonds.

Interest: The Convertible Bonds shall not bear any interest.

Maturity Date: 31 December 2016

Conversion Rights: Each holder of the Convertible Bonds shall have the right, exercisable during the Conversion Period (as defined below) in the manner provided in the Bond Instrument, to convert the whole or any part (in multiples of HK\$1,350,000) of the outstanding principal amount of the Convertible Bonds held by such holder of the Convertible Bonds into such number of Conversion Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect on the conversion date.

No fraction of a Conversion Share shall be issued on conversion and *in lieu* thereof HKBLA shall pay a cash amount in HK\$ equal to such amount of the Convertible Bonds that is not converted.

Limitations on conversion of the Convertible Bonds: HKBLA shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the conversion rights, less than 25% or the minimum prescribed percentage as set out in the Listing Rules of HKBLA's issued shares would be held by the public immediately after the relevant exercise of conversion rights.

Further, HKBLA shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the Conversion Rights, the holder of the Convertible Bonds and/or parties acting in concert with it will be interested in 30% of HKBLA's issued shares (or such amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) under the Takeovers Code.

Redemption:

Redemption at maturity

Any principal amount of the Convertible Bonds which has not been redeemed or converted in accordance with the conditions as set out in the Bond Instrument by the Maturity Date, shall, at the absolute discretion of HKBLA (and regardless of whether or not the holders of the Convertible Bonds concerned have requested for conversion of any or all principal amount of the Convertible Bonds into Conversion Shares), either be redeemed by HKBLA on the Maturity Date at a redemption amount equal to 100% of the principal amount of the Convertible Bonds, or be converted into the Conversion Shares.

Redemption on default

If any of the events (“**Events of Default**”) specified below occur, HKBLA shall forthwith give notice thereof to the holders of the Convertible Bonds and each holder of the Convertible Bonds may (without prejudice to any other rights and remedies available to the holders of the Convertible Bonds), at its option, opt to convert the Convertible Bonds in its entirety or, alternatively, issue a notice of redemption to HKBLA in respect of part or all of the principal amount of the Convertible Bonds held by it, whereupon the Convertible Bonds shall become immediately due and payable at a redemption amount equal to 100% of the principal amount of the Convertible Bonds.

The Events of Default are as follows:

- (i) any failure to pay the principal amount of the Convertible Bonds when due and such failure continues for a period of seven Business Days;
- (ii) any default made by HKBLA in the performance or observance of any undertaking, warranty or representation given by it under these terms (other than the covenant to pay the principal amount of the Convertible Bonds) and such default is incapable of remedy (in which event no such notice as is referred to below shall be required), or if capable of remedy is not remedied within fifteen Business Days of service by any holder of the Convertible Bonds on HKBLA of notice requiring such default to be remedied;

- (iii) any other present or future indebtedness of HKBLA or any of its subsidiaries (the “**Subsidiaries**”) for or in respect of any bond, debenture, note or similar instrument of indebtedness or any other monies borrowed or raised, becomes due and payable prior to its stated maturity otherwise than at the option (as the case may be) of HKBLA or the relevant Subsidiary, or any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or HKBLA or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any such indebtedness provided that the aggregate amount of indebtedness and guarantees and indemnities in respect of which one or more events mentioned above have occurred equals or exceeds HK\$200,000,000 or its equivalent in any other currency provided that the provisions of this paragraph (iii) shall not apply to any alleged default if HKBLA or the relevant Subsidiary, as the case may be, is contesting the matter in good faith;
- (iv) a resolution is passed or an order of a court of competent jurisdiction is made that HKBLA be wound up or dissolved otherwise than for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction the terms of which shall have previously been approved in writing by a resolution of the holders of the Convertible Bonds;
- (v) a resolution is passed or an order of a court of competent jurisdiction is made for the winding up or dissolution of any Subsidiary except (a) for the purposes of or pursuant to and followed by a consolidation or amalgamation with or merger into HKBLA or any other Subsidiary, (b) for the purposes of or pursuant to and followed by a consolidation, amalgamation, merger or reconstruction (other than as described in (a) above) the terms of which shall have previously been approved by a resolution of the holders of the Convertible Bonds, or (c) by way of a voluntary winding up or dissolution where there are surplus assets in such Subsidiary and such surplus assets attributable to the Company and/or any other Subsidiary are distributed to HKBLA and/or any such other Subsidiary;
- (vi) an encumbrancer takes possession or a receiver is appointed over the whole or a material part of the assets or undertaking of HKBLA or any Subsidiary;
- (vii) a distress, execution or seizure order before judgment is levied or enforced upon or sued out against the whole or a material part of the property, assets or revenues of HKBLA or any Subsidiary (as the case may be) and is not discharged or stayed within thirty Business Days or such longer period as the holders of the Convertible Bonds, by a resolution of the holders of the Convertible Bonds, may consider appropriate in relation to the event concerned;

- (viii) HKBLA or any of its Subsidiaries is insolvent or unable to pay its debts as and when they fall due or HKBLA or any of its Subsidiaries shall initiate or consent to proceedings relating to itself under any applicable administration, bankruptcy, composition or insolvency law or scheme of arrangement while insolvent (except, for the avoidance of doubt, for the purposes of a dissolution or winding-up permitted under paragraphs (iv) or (v) above) or makes a general assignment for the benefit of, or enters into any composition with, its creditors;
- (ix) proceedings shall have been initiated against HKBLA or any Subsidiary under any applicable bankruptcy, reorganisation or insolvency law, and such proceedings shall not have been discharged or stayed within fifteen Business Days thereafter (or such longer period as the holder(s) of the Convertible Bonds by a resolution of the holders of the Convertible Bonds may consider appropriate in relation to the jurisdiction concerned);
- (x) it is or becomes unlawful for HKBLA to perform or comply with any of its obligations under the Bond Instrument or any Convertible Bonds, or due to no fault on the part of any holder of the Convertible Bonds any such obligation is not or ceases to be enforceable or is claimed by HKBLA not to be enforceable;
- (xi) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or substantially all or (other than on arm's length terms or with respect to a part of the relevant entity's business or operations which has not materially contributed to the consolidated operating profit of HKBLA and its Subsidiaries for at least three years prior to the day on which this paragraph operates) a material part of the assets of HKBLA or any of its Subsidiaries;
- (xii) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable HKBLA lawfully to enter into, exercise its rights and perform and comply with its obligations under the Convertible Bonds or the Bond Instrument, (b) to ensure that those obligations are legally binding and enforceable, and (c) to make the Convertible Bonds or the Bond Instrument admissible in evidence in the courts of Hong Kong, is not taken, fulfilled or done by the requisite time;
- (xiii) any breach of the representations, warranties and undertakings made by HKBLA to the holder(s) of the Convertible Bonds in reliance of which the holder(s) of the Convertible Bonds subscribes to the Convertible Bonds; or

(xiv) any event occurs which has an analogous effect to any of the events referred to in paragraphs (i) to (xiii) above.

Conversion Period: the period commencing from the initial date of issue of the Convertible Bonds and ending on the date which falls on the fifth Business Day before the Maturity Date, both dates inclusive, provided that if HKBLA fails to redeem the Convertible Bonds on the redemption date in accordance with the terms of the Bond Instrument the period shall continue until redemption in full occurs.

Ranking: Conversion Shares issued upon exercise of conversion rights attached to the Convertible Bonds shall rank *pari passu* in all respects with all other existing HKBLA Shares outstanding at the conversion date and all Conversion Shares shall include rights to participate in all dividends and other distributions the record date of which falls on or after such conversion date.

Transferability: The Convertible Bonds may be transferred to any person provided that where the Convertible Bond is intended to be transferred to a connected person (as defined in the Listing Rules) (other than the associates of the holder of the Convertible Bond), such transfer shall comply with the requirements under the Listing Rules and/or requirements imposed by the Stock Exchange, if any.

Application for listing: No application shall be made to the Stock Exchange for the listing of the Convertible Bonds. Application will be made by HKBLA to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

INFORMATION ON HKBLA

The Hong Kong Building and Loan Agency Limited and its subsidiaries are principally engaged in investment holding, treasury investments and provision of loan financing.

The financial information extracted from the audited accounts of HKBLA for the two financial years ended 31 December 2011 and 2012 is as follows:

	Year ended 31 December 2012 Audited (HK\$'000)	Year ended 31 December 2011 Audited (HK\$'000)
Revenue	42,224	37,995
Profit (loss) before taxation	13,140	(47,602)
Profit (loss) after taxation	10,324	(49,305)
Net Asset	400,438	372,603

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group is principally engaged in businesses of properties investments, securities trading and loan financing.

The Company from time to time seeks new opportunities aiming to enhance the profitability and the Shareholders' value of the Company. In view of the discount in the Conversion Price as compared to the current market price of the HKBLA Shares, the Directors consider that the Subscription, which represents a positive investment opportunity that is in line with the Group's business strategy, and the terms of the Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER GEM LISTING RULES

As the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Subscription are more than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company under Rule 19.06 of the GEM Listing Rules.

TRADING SUSPENSION

Reference is made to the announcement of the Company dated 10 January 2014, at the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 10 January 2014 pending the release of an announcement in relation to a very substantial transaction of the Company. Trading in the Shares will remain suspended pending the release of the above mentioned announcement.

DEFINITIONS

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

“Board”	the board of Directors
“Bond Instrument”	the bond instrument of the Convertible Bonds
“Business Day(s)”	a day (excluding Saturday and Sunday) on which licensed banks are generally open for business in Hong Kong throughout their regular business hours
“Company”	Chinese Strategic Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Growth Enterprise Market of the Stock Exchange
“Completion”	completion of the Subscription
“Conversion”	conversion of the Convertible Bonds in a principal amount of HK\$43,200,000 into a total of 320,000,000 Conversion Shares
“Convertible Bonds”	the convertible bonds in the principal amount of HK\$43,200,000 to be issued by HKBLA pursuant to the Subscription Letter

“Conversion Price”	the initial conversion price of HK\$0.135 per Conversion Share, subject to adjustments pursuant to the Bond Instrument
“Conversion Share(s)”	new HKBLA Shares to be issued by HKBLA upon conversion in full by holders of the Convertible Bonds of the conversion rights attaching to the Convertible Bonds
“Director(s)”	the director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKBLA”	The Hong Kong Building and Loan Agency Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 145)
“HKBLA Share(s)”	share(s) of HK\$0.1 each in the share capital of HKBLA
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company as at the date of this announcement
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Sina Winner Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Subscription”	the subscription of the Convertible Bonds pursuant to the Subscription Letter
“Subscription Letter”	the subscription letter dated 6 February 2014 in relation to the Subscription
“Subscription Price”	the subscription price of HK\$43,200,000 for the Subscription
“Takeovers Code”	the Code on Takeovers and Mergers and Share Repurchases published by the Securities and Futures Commission

“HK\$” Hong Kong dollar(s), the lawful currency of Hong Kong

“%” per cent.

By Order of the Board
Chinese Strategic Holdings Limited
Lam Kwok Hing Wilfred
Chairman

Hong Kong, 7 February 2014

As at the date hereof, the Company’s executive Directors are Mr. Lam Kwok Hing Wilfred, J.P., (Chairman) and Ms. Chan Shui Sheung Ivy; and the independent non-executive Directors are Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward.

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

This announcement will remain on the “Latest Company Announcement” page of the GEM website at www.hkgem.com for at least 7 days and the Company website at www.chinesestrategic.com from the date of its publication.