

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA STRATEGIC HOLDINGS LIMITED

中策集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 235)

DISCLOSEABLE TRANSACTION SUBSCRIPTION OF CONVERTIBLE BOND

SUBSCRIPTION OF CONVERTIBLE BOND

The Board is pleased to announce that on 20 October 2017 (after trading hours), an indirect wholly owned subsidiary of the Company, as investor, entered into the Subscription Agreement with Huajun Holdings Limited as issuer, pursuant to which the Issuer has conditionally agreed to issue and the Investor has conditionally agreed to subscribe for the Subscription Convertible Bond in the aggregate principal amount of HK\$175,000,000, which forms part of the Convertible Bonds to be issued by the Issuer, upon and subject to the terms and conditions set out in the Subscription Agreement. The Convertible Bonds to be issued are convertible into fully paid ordinary shares of HK\$0.01 each in the share capital of the Issuer at the Conversion Price.

LISTING RULES IMPLICATION

As the applicable percentage ratio under the Listing Rules in respect of the Subscription is more than 5% but less than 25%, the Subscription constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the completion of the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

INTRODUCTION

On 20 October 2017 (after trading hours), Guide Plus Investments Limited, an indirect wholly owned subsidiary of the Company, as investor, entered into the Subscription Agreement with Huajun Holdings Limited as issuer, pursuant to which the Issuer has conditionally agreed to issue and the Investor has conditionally agreed to subscribe for the Subscription Convertible Bond in the aggregate principal amount of HK\$175,000,000, which forms part of the Convertible Bonds to be issued by the Issuer. The Convertible Bonds to be issued are convertible into fully paid ordinary shares of HK\$0.01 each in the share capital of the Issuer at the Conversion Price.

To the best knowledge of the Directors, the Issuer is a third party and independent of the Company and its connected person(s).

The principal terms of the Subscription Agreement are set out below:

THE SUBSCRIPTION AGREEMENT

Date: 20 October 2017

Issuer: Huajun Holdings Limited, a company incorporated under the laws of Bermuda with limited liability and listed on the Main Board of the Stock Exchange (stock code: 377). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Huajun Holdings Limited is a third party independent of the Company and its connected persons

Investor: Guide Plus Investments Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company

Consideration

The Investor has agreed to subscribe for the Subscription Convertible Bond in the aggregate principal amount of HK\$175,000,000 on the Closing Date, or such other date as shall be agreed between the Issuer and the Investor, at a consideration of HK\$175,000,000 under the Subscription Agreement. The Group intends to fund the consideration for the Subscription Convertible Bond in cash from its internal resources.

Conditions Precedent

The obligations of the Investor to subscribe for the Subscription Convertible Bond from the Issuer are subject to the fulfilment (or waiver) of all of the following Conditions Precedent on or before the Closing Date:

- (a) all the Warranties being true, complete and accurate in all respects and not misleading in any material respect;
- (b) the Issuer, to the extent applicable, having (i) duly complied with all requirements under applicable laws and its constitutional documents necessary for the validity and enforceability of the Transaction Documents and the transactions contemplated thereunder (including without limitation the proposed issue of the Convertible Bonds); (ii) duly completed all procedural requirements (including without limitation notification, filing, registration, disclosure and/or announcement requirements) required by any relevant governmental authority and its constitutional documents in connection with the signing of the Transaction Documents and the transactions contemplated thereunder (including without limitation the proposed issue of the Convertible Bonds) that are reasonably capable of being completed prior to the Closing; and (iii) obtained all consents and approvals by the relevant governmental authority and under its constitutional documents in connection with the signing of the Transaction Documents and the transactions contemplated thereunder (including without limitation the proposed issue of the Convertible Bonds) that are reasonably capable of being completed prior to the Closing;
- (c) there being no governmental authority or any other entities that has:
 - (i) requested any information in connection with or instituted or, threatened any action or investigation to restrain, prohibit or otherwise challenge the subscription for the Convertible Bonds by the Investors and/or their respective nominees, or the other transactions contemplated by the Transaction Documents to which any of the Investors is a party;
 - (ii) threatened to take any action as a result of or in anticipation of the subscription for the Convertible Bonds by the Investors and/or their respective nominees, or the other transactions contemplated by the Transaction Documents to which any of the Investors is a party; or

- (iii) proposed or enacted any applicable laws which would prohibit, materially restrict or materially delay the subscription for the Convertible Bonds by the Investors and/or their respective nominees, or the other transactions contemplated by the Transaction Documents to which any of the Investors is a party and/or materially adversely affect the operation of any company of the Issuer and its subsidiaries after the Closing;
- (d) there shall not have been any suspension of the trading of the shares of the Issuer on the Stock Exchange for any reason during the period between the date of the Subscription Agreement and the Closing Date (save for the purposes of clearing an announcement in respect of (i) the issue of the Convertible Bonds, or (ii) any transaction which is of a routine nature resulting in a temporary suspension of trading for not more than five (5) consecutive Business Days);
- (e) the approval for the listing of and the permission to deal in the new shares of the Issuer issuable upon the exercise of the Conversion Rights (subject to conditions satisfactory to the Investors and the Issuer as may be imposed by the Stock Exchange) on the Stock Exchange shall have been obtained;
- (f) as at the date of the Subscription Agreement and the Closing Date, there being no material adverse change in the principal business, operations, properties, conditions (financial or otherwise), personnel or prospects of the Issuer's group, nor the happening of events which may have a Material Adverse Effect;
- (g) there shall not have occurred (i) any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls; (ii) a general moratorium on commercial banking activities in Bermuda, Hong Kong or the PRC by any relevant governmental authority; (iii) an outbreak or escalation of hostilities or act of terrorism, and which, with respect to any of (i) to (iii) above, individually or in aggregate, is or is likely to have a Material Adverse Effect; or (iv) a suspension or material limitation of trading in securities generally on the Stock Exchange.

The Investor may, at its absolute discretion, waive compliance with any or all of the above Conditions Precedent, save and except condition (e) which shall not be waivable at all time. If the Conditions Precedent are not fulfilled or, as the case may be, waived by the Investor, on or before 31 October 2017 or such later date as may be agreed between the Issuer and the Investor, the Subscription Agreement shall automatically lapse and cease to be of any effect save for antecedent breach.

Closing

The Closing shall take place on the same Business Day as the fulfilment or waiver (save and except for condition (e) above which cannot be waived) of all the Conditions Precedent (or such other date as may be agreed in writing between the Parties) and at such place as may be agreed by the Parties.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Principal Amount

The Subscription Convertible Bond in aggregate principal amount of HK\$175,000,000 forms part of the Convertible Bonds to be issued by the Issuer.

Form and Denomination of the Convertible Bonds

The Convertible Bonds to be issued are in registered form in the denomination of HK\$5,000,000 or integral multiples thereof.

Listing

No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

Application will be made by the Issuer for the listing of, and permission to deal in, the Conversion Shares to be issued upon the exercise of the Conversion Rights.

Interest Rate

10% per annum payable on a semi-annual basis.

Default Interests

If the Issuer fails to pay any sum in respect of the Convertible Bonds when the same becomes due and payable, an overdue interest shall accrue on the overdue sum at the rate of 16% per annum from the due date up to (and including) the date of full payment of the overdue amount by the Issuer to the Convertible Bondholders. Such default interest shall accrue on the basis of the actual number of days elapsed and a 365-day year.

Convertible Bondholder's Redemption Rights for Events of Default

If any event of default set out in the terms and conditions of the Convertible Bond Instrument occurs, the Convertible Bondholders may give notice to the Issuer to the effect that the Convertible Bonds together with the interest accrued and unpaid thereon become immediately due and payable.

Conversion Price

The initial conversion price is HK\$0.85 per Conversion Share, subject to adjustments upon occurrence of certain events as set out in the terms and conditions of the Convertible Bond Instrument.

Conversion Period

The Conversion Rights attaching to the Convertible Bonds may be exercised, at the option of the holders thereof, at any time on and after the Issue Date up to the close of business on the Business Day immediately preceding the Maturity Date (both days inclusive), provided that in each case, if such final date for the exercise of the Conversion Rights is not a Business Day in Hong Kong, then the period of exercise of the Conversion Rights by the Convertible Bondholder(s) shall end on the immediately preceding Business Day.

Conversion Rights

Based on the initial conversion price of HK\$0.85 per Conversion Share, upon full conversion, the Subscription Convertible Bond is convertible into a total of 205,882,352 shares of the Issuer representing approximately 3.39% of the issued share capital of the Issuer as at the date of this announcement.

The Conversion Shares shall rank *pari passu* in all respects with all other existing shares of the Issuer at the date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions.

Maturity Date

The last day of the term of one (1) year commencing from and including the Issue Date or any such other date as mutually agreed to in writing between, and shortened or extended by, the Issuer and the Convertible Bondholder(s).

Maturity

Unless previously redeemed, converted, purchased or cancelled as provided in the Convertible Bond Instrument, the Issuer shall pay to the Convertible Bondholder(s) on the Maturity Date an aggregate sum of (i) the outstanding principal amount of the Convertible Bond(s) on the Maturity Date, (ii) all accrued and unpaid interest from the Issue Date up to (and including) the Maturity Date and unpaid default interests (if any) accrued, (iii) such additional amount as would result in an effective interest rate of twelve percent (12%) per annum on the outstanding principal amount of the Convertible Bond(s) from the Issue Date up to (and including) the Maturity Date

(taking into account all paid interests (but excluding any default interests paid)) and calculated on the basis of the actual number of days elapsed in a year of 365 days, and (iv) all other outstanding amounts payable by the Issuer to the Convertible Bondholder(s) under the Transaction Documents.

Early Redemption

Subject to the prior written consent of the Convertible Bondholder(s), the Issuer shall have the right to redeem all or part of outstanding principal amount in respect of such portion of the Convertible Bond which has not been converted into shares of the Issuer at such terms and at any time during the period between the first day immediately after sixth (6th) months from the Issue Date and the twentieth (20th) Business Day immediately preceding the Maturity Date by depositing a notice of redemption with the Convertible Bondholder(s) in accordance with the Convertible Bond Instrument.

Transferability

The Convertible Bonds are transferable, except to connected persons (as defined in the Listing Rules) of the Issuer.

Status

The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and the Convertible Bonds shall at all times rank *pari passu* in all respects and without any preference or priority among themselves. The payment obligations of the Issuer under the Convertible Bonds shall at all times rank at least equally with all of its other present and future direct, unsubordinated, unconditional and unsecured obligations.

INFORMATION OF THE COMPANY AND THE ISSUER

The Company is an investment holding company. The principal activities of its principal subsidiaries include (i) investments in securities, (ii) trading, (iii) money lending, and (iv) securities brokerage businesses.

The principal activities of the Issuer and its subsidiaries are: (i) sale and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products; (ii) trading and logistics; (iii) finance lease; (iv) provision of finance; (v) property development and investments; (vi) securities investments; (vii) manufacturing and sales of industrial equipment and (viii) manufacturing and sales of photovoltaic products.

According to the audited consolidated financial statements for the year ended 31 March 2017 contained in the 2017 annual report of the Issuer, it recorded profit before taxation of approximately RMB134,548,000 and RMB26,223,000; and profit after taxation of approximately RMB43,401,000 and loss after taxation of approximately RMB24,489,000 for the year ended 31 March 2017 and 31 March 2016, respectively and its total equity was approximately RMB3,525,847,000 as at 31 March 2017.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The terms of the Subscription Agreement were determined after arm's length negotiation between the Investor and the Issuer and with reference to, among other things, the Issuer past financial performance, the prevailing market price of the shares of the Issuer and recent market conditions.

The Company considers that entering into the Subscription Agreement with the Issuer is beneficial as this investment will be capable of generating an attractive recurring income while carrying the opportunity to obtain additional benefits by converting the Subscription Convertible Bond into shares of the Issuer. The Directors consider that the terms of the Subscription Agreement are fair and reasonable and that entering into the Subscription Agreement is in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratio under the Listing Rules in respect of the Subscription is more than 5% but less than 25%, the Subscription constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As the completion of the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

“Board”	Board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday or days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which commercial banks are generally opened for banking business in Hong Kong

“Closing Date”	date fixed for Closing
“Closing”	closing of the Subscription or, where the context so admits or requires, the performance by the Parties of their respective obligations under the Subscription Agreement;
“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
“Conditions Precedent”	conditions precedent set out in the Subscription Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Bond(s)”	redeemable 10% fixed coupon convertible bond(s) of an aggregate principal amount of HK\$350,000,000 in registered form to be issued by the Issuer and constituted by the Convertible Bond Instrument
“Convertible Bondholder(s)”	a person in whose name a Convertible Bond is registered in the register of the holders of the Convertible Bonds
“Convertible Bond Instrument”	instrument to be executed by the Issuer by way of a deed poll constituting the Convertible Bonds and any other documents executed in accordance with and/or supplemental to such instrument
“Conversion Price”	HK\$0.85, the initial conversion price (subject to adjustments) at which a share will be issued upon conversion of the Convertible Bonds into shares of the Issuer
“Conversion Rights”	rights of a Convertible Bondholder to convert the whole or part of the outstanding principal amount of the Convertible Bond into shares of the Issuer subject to and in accordance with the terms and conditions of the Convertible Bond Instrument
“Conversion Share(s)”	ordinary share(s) of HK\$0.01 each of the Issuer to be issued upon the exercise of the Conversion Rights attached to the Convertible Bonds

“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Investor”	Guide Plus Investments Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
“Investors”	Guide Plus Investments Limited and other investor(s) of the Convertible Bonds
“Issue Date”	the date of issue of the Convertible Bonds
“Issuer”	Huajun Holdings Limited, a company incorporated under the laws of Bermuda with limited liability and listed on the Main Board of the Stock Exchange (stock code: 377)
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Material Adverse Effect”	(i) a material adverse effect on (a) the assets, liabilities, condition (financial or other), business, prospects, general affairs, results of operations or properties of the Issuer and its subsidiaries taken as a whole, (b) the ability of the Issuer, any of its subsidiaries or any relevant Party (other than the Investors) (if applicable) to perform its obligations under any of the Transaction Documents, or (c) the validity or enforceability of any of the Transaction Documents; or (ii) an effect which is otherwise material in the context of the transactions contemplated under the Transaction Documents
“Maturity Date”	the last day of the term of one (1) year commencing from and including the Issue Date or any such other date as mutually agreed to in writing between, and shortened or extended by, the Issuer and the Convertible Bondholder(s)

“Parties”	the Issuer and the Investors and “Party” means any one of them
“PRC”	the People’s Republic of China (which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	subscription of the Subscription Convertible Bond by the Investor
“Subscription Agreement”	the subscription agreement dated 20 October 2017, entered into between the Issuer and the Investor in relation to the subscription of the Subscription Convertible Bond
“Subscription Convertible Bond”	in aggregate principal amount of HK\$175,000,000 which forms part of the Convertible Bonds
“Transaction Documents”	Subscription Agreement, the Convertible Bond Instrument and any other documents relating to the transactions contemplated therein which may be entered into from time to time
“Warranties”	the representations, warranties and covenants given or procured to be given by the Issuer as provided in the Subscription Agreement
“%”	percent

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

Hong Kong, 20 October 2017

As at the date of this announcement, the Board comprises four Executive Directors, namely Dr. Or Ching Fai (Chairman and Chief Executive Officer), Mr. Sue Ka Lok, Ms. Lee Chun Yeung, Catherine 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.