CHINA STRATEGIC HOLDINGS LIMITED
（中策集團有限公司）

(Incorporated in Hong Kong with limited liability)

(Stock Code: 235)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE 2008

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of China Strategic Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2008 together with the comparative figures for the corresponding period in 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

		Six months ended 30th June,	
	NOTES	**2008**	2007
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Revenue		**15,685**	25,317
Cost of sales		**(15,362)**	(19,968)
Gross profit		**323**	5,349
Other income	4	**16,090**	47,635
Distribution costs		**(1,047)**	(1,675)
Administrative expenses		**(16,716)**	(11,172)
Impairment loss recognised in respect of goodwill	5	**—**	(25,807)
Fair value changes on investments held for trading		**(59,801)**	—
Other expenses		**—**	(190)
Finance costs	6	**(48,185)**	(3,768)
(Loss) profit before taxation		**(109,336)**	10,372
Income tax expense	7	**—**	(860)
(Loss) profit for the period	8	**(109,336)**	9,512
Attributable to:			
Equity holders of the parent		**(109,336)**	9,512
Minority interests		**—**	—
		(109,336)	9,512
		HK cents	HK cents
(Loss) earnings per share	10	**(5.5)**	2.2

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30TH JUNE, 2008

	NOTES	**30.6.2008**	31.12.2007
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Non-Current Assets			
Property, plant and equipment	11	**98,278**	91,739
Prepaid lease payments		**19,820**	19,604
Interest in an associate		**—**	—
Club debentures		**825**	825
Available-for-sale investments		**25,592**	36,978
		144,515	149,146
Current Assets			
Inventories		**7,985**	9,340
Trade receivables	12	**3,208**	3,585
Prepaid lease payments		**476**	466
Amount due from an associate		**6,990**	6,686
Loans and interest receivables		**20,770**	41,724
Other receivables, deposits and prepayments	13	**108,841**	6,158
Investments held for trading		**196,742**	13,800
Bank balances and cash		**1,480,240**	191,617
		1,825,252	273,376
Current Liabilities			
Trade payables, other payables and accrued charges		**40,617**	40,150
Amount due to an associate		**7,155**	6,686
Loan payables		**62,094**	82,100
Income tax payable		**5,735**	5,735
Bank borrowings		**19,662**	18,042
Bank overdraft		**2,066**	—
Obligations under finance leases		**26**	26
		137,355	152,739
Net Current Assets		**1,687,897**	120,637
Total Assets less Current Liabilities		**1,832,412**	269,783

CONDENSED CONSOLIDATED BALANCE SHEET (Con't)
AT 30TH JUNE, 2008

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Capital and Reserves		
Share capital	**202,880**	52,880
Reserves	**545,693**	91,925
Equity attributable to equity holders of the Company	**748,573**	144,805
Minority interests	**261**	261
Total equity	**748,834**	145,066
Non-Current Liabilities		
Deferred tax liabilities	**49,644**	4,172
Convertible notes	**1,033,888**	120,488
Obligations under finance leases	**46**	57
	1,083,578	124,717
	1,832,412	269,783

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2007.

In the current interim period, the Group has applied, for the first time, the new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning 1st January, 2008.

The adoption of these new Interpretations had no material effect on the results or financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new or revised standards, amendments or interpretation that have been issued but are not yet effective.

The directors of the Company anticipate that the application of the other new or revised standards or interpretation will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Business segments

An analysis of the Group's revenue and contribution to operating results by business segments is as follows:

	Investments in securities and advance *HK$'000*	Battery products *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Six months ended 30th June, 2008				
REVENUE				
External sales	**—**	**15,685**	**—**	**15,685**
RESULT				
Segment result	**(55,197)**	**(5,062)**	**8,685**	**(51,574)**
Unallocated corporate expenses				**(9,577)**
Finance costs				**(48,185)**
Loss before taxation				**(109,336)**
Taxation				**—**
Loss for the period				**(109,336)**

3. SEGMENT INFORMATION *(Con't)*

Business segments *(Con't)*

	Investments in securities and advance *HK$'000*	Battery products *HK$'000*	Others *HK$'000*	Consolidated *HK$'000*
Six months ended 30th June, 2007				
REVENUE				
External sales	—	25,317	—	25,317
RESULT				
Segment result	45,735	(27,061)	1,029	19,703
Unallocated corporate expenses				(5,563)
Finance costs				(3,768)
Profit before taxation				10,372
Taxation				(860)
Profit for the period				9,512

4. OTHER INCOME

	Six months ended 30th June,	
	2008	2007
	HK$'000	*HK$'000*
Interest income	**12,163**	1,884
Dividend income from available-for-sale investments	**1,567**	606
Exchange gain	**1,026**	558
Changes in fair value of investments held for trading	**—**	1,911
Gain on disposal of available-for-sale investments	**802**	39,577
Gain on disposal of investments held for trading	**—**	2,474
Others	**532**	625
	16,090	47,635

5. GOODWILL

During the period ended 30th June, 2007, the Group recognised an impairment loss of approximately HK$25,807,000 in relation to the goodwill arising on acquisition of subsidiaries which are included in the segment of battery products, determined based on a value in use calculation. In the opinion of the directors, other assets of such cash generating unit are not impaired for the period.

6. FINANCE COSTS

	Six months ended 30th June,	
	2008	2007
	HK$'000	*HK$'000*
Interest on borrowings wholly repayable within five years:		
– bank borrowings	**767**	180
– loan payables	**2,245**	3,586
– obligation under finance lease	**4**	2
Effective interest on convertible notes	**45,169**	—
	48,185	3,768

7. INCOME TAX EXPENSE

The income tax charge for the six months ended 30th June, 2007 represented underprovision of Hong Kong Profits Tax in prior periods.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Company and its subsidiaries had no assessable profit in both periods.

On 16th March, 2007, the People's Republic of China (the "PRC") promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and the Implementation Regulation have changed the tax rate from 33% to 25% for the Group's subsidiaries from 1st January, 2008. No provision for PRC Enterprise Income tax has been made in the condensed consolidated financial statements as the Group's PRC subsidiaries has no assessable profit for both periods.

8. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging the following items:

	Six months ended 30th June,	
	2008	2007
	HK$'000	*HK$'000*
Amortisation of prepaid lease payments	**325**	151
Depreciation of property, plant and equipment	**2,157**	1,116
Impairment loss recognised in respect of goodwill	**—**	25,807
Share based payment expenses	**2,224**	—

9. DIVIDEND

The directors do not recommend the payment of any interim dividend (2007: nil).

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share is based on the loss for the period attributable to the equity holders of the Company of approximately HK$109,336,000 (six months ended 30th June, 2007: profit of approximately HK$9,512,000) and the weighted average number of 1,979,346,994 (six months ended 30th June, 2007: 440,797,543) ordinary shares in issue during the period.

No diluted loss per share has been presented for the six months ended 30th June, 2008 as the assumed conversion of the Company's outstanding convertible notes and exercise of share options at their exercise prices would result in a decrease in loss per share.

No diluted loss per share has been presented for the six months ended 30th June, 2007 as there were no potential ordinary shares in issue during the period.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred an expenditure of approximately HK$3,362,000 (six months ended 30th June, 2007: HK$15,601,000) on property, plant and equipment.

12. TRADE RECEIVABLES

The Group allows its trade customers a credit period normally ranging from 90 days to 180 days. The aged analysis of the trade receivables at the balance sheet date is as follows:

	30.6.2008	31.12.2007
	HK$'000	*HK$'000*
0-90 days	**3,052**	3,343
91-180 days	**156**	36
Over 180 days	**—**	206
	3,208	3,585

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in the other receivables, deposits and prepayments is an amount of approximately HK$98,426,000 (31.12.2007: HK$3,701,000) margin accounts placed with a security broker for securities trading purposes, which are repayable on demand and interest bearing at 0.7% to 1% (six months ended 30th June, 2007: 1% to 1.5%).

MANAGEMENT DISCUSSION & ANALYSIS

The revenue of the Group for the six months ended 30th June, 2008 decreased by approximately HK$9.63 million to approximately HK$15.69 million. The revenue for the period was generated from the manufacturing and trading of batteries products. With the financial crisis arisen from sub-prime mortgage crisis in United States, the world economy has become unstable, the Group's batteries manufacturing and trading business has been tough leading to decrease in the revenue of the Group. Gross profit ratio deteriorated under the significant increase global energy price and raw material costs, compared to the same period last year. Interest income increased by approximately HK$10.28 million mainly because of increase in interest generated by cash balances received from fund raising activities. Due to the adverse market condition, the Group recorded a loss from fair value changes on investments held for trading of approximately HK$59.80 million as opposed to a gain of HK$1.91 million for the corresponding period last year. During the period, the Company had granted share options to a director to subscribe ordinary shares of the Company, an amount of approximately HK$2.22 million was recognized and included in the administrative expenses for the current period to reflect the effect of granting the share options to a director. Finance costs had increased during the period as the second tranch of 2007 convertible note in the amount of HK$1.173 billion was issued on 7th January, 2008, as a result, an amount of HK$45.17 million was recognised as financial expenses for the period under the requirements of the Hong Kong Accounting standard ("HKAS") 39 and HKAS 32; however, there was no cash outlay from the Company for that financial expenses during the period. Overall, net loss for the six months ended 30th June, 2008 was approximately HK$109.34 million as opposed to a net profit of approximately HK$9.51 million for the corresponding period in 2007.

During the period under review, the Group financed its operations mainly through cash generated from its business activities, banking facilities provided by principal bankers, external borrowings, share placing and placing of convertible notes. As at 30th June, 2008, the Group had working capital calculated by current assets less current liabilities of approximately HK$1.69 billion and the current ratio increased to 13.29, compared with the working capital of approximately HK$120.64 million and current ratio of 1.79 as at 31st December, 2007.

In the period under review, the net cash used in operating activities was approximately HK$354.10 million compared with HK$3.82 million used in operating activities in the same period of 2007. The net cash generated by investing activities and financing activities in the first half of fiscal year of 2008 was approximately HK$13.47 million and HK$1.63 billion respectively compared with approximately HK$34.91 million net cash generated by investing activities and HK$16.94 million net cash generated by financing activities in the same period of 2007.

MANAGEMENT DISCUSSION & ANALYSIS (Con't)

The Group's bank overdraft and bank and other borrowings increased from approximately HK$18.04 million as at 31st December, 2007 to approximately HK$21.73 million as at 30th June, 2008, representing an increase of approximately 20%. There was HK$0.04 million long term borrowings as at 30th June, 2008 (31st December, 2007: HK$0.06 million). As at 30th June, 2008, the Group had convertible notes issued on 5th November, 2007 and 7th January, 2008 with aggregated outstanding principal amount of HK$1.32 billion, the convertible notes are non-interest bearing and with maturity on 31st December, 2010. The outstanding convertible notes are convertible at HK$0.33 per share from the date of issue upto 31st December, 2008, HK$0.36 per shares from 1st January, 2009 to 31st December, 2009 and HK$0.39 per share from 1st January, 2010 to 31st December, 2010. The liability component of the convertible notes was approximately HK$1.03 billion. The gearing ratio was approximately 0.62 calculated by the total liabilities of HK$1.22 billion divided by total assets of HK$1.97 billion.

Capital expenditure aggregated to approximately HK$3.4 million for the six months ended 30th June, 2008 and was used primarily for purchasing of property, plant and equipment. The Group's capital expenditures will continue to be funded primarily by internal resources or external borrowings or a combination of both as required.

As at 30th June, 2008, the Group had cash and bank balances amounted to approximately of HK$1.48 billion and is mainly denominated in Hong Kong dollars. Fair value of investments held for trading was in an amount of HK$196.74 million. As at 30th June, 2008, there was no bank deposit pledged. During the period ended 30th June, 2008, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. As a result, the Group did not enter into any material foreign contracts, currency swaps or other financial derivatives. As at 30th June, 2008, the Company issued all monies guarantee and indemnity to a bank for the banking facilities granted to a non-wholly owned subsidiary.

As at 30th June, 2008, the Group employed approximately 278 staff, the staff cost (excluding directors' emoluments) was around HK$4.98 million for the period under review. The staff remuneration packages are normally reviewed annually. The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. In addition, the Group provides other staff benefits which include double pay, share option scheme, insurance and medical benefits.

During the period under review, the Company granted share option to a Director to subscribe 20,000,000 ordinary shares of the Company at the subscription price of HK$0.58 per share. As at 30th June, 2008, 44,800,000 share options were still outstanding. During the period under review, no options granted had been exercised.

MANAGEMENT DISCUSSION & ANALYSIS (Con't)

On 23rd August, 2007, the Company entered into a placing agreement with Kingston Securities Limited ("Kingston") pursuant to which, Kingston agreed to place, on a best effort basis, 1,500,000,000 new shares at HK$0.33 per share of nominal value of HK$0.1 each to independent third parties ("Placing"). The Placing was completed on 7th January, 2008 and the net proceeds of HK$482.6 million was initially intended to be used for potential investment or business opportunities.

On 23rd August, 2007, the Company also entered into the placing agreement with Kingston, pursuant to which, Kingston agreed to place, on a best effort basis, the convertible notes in an aggregate principal amount of HK$1,320 million ("CN Placing")The convertible note are non-interest bearing and would carry a right to convert into new Shares at the conversion price subject to adjustment, HK$0.33 per share from the date of issue of the convertible notes to 31st December, 2008, HK$0.36 per shares from 1st January, 2009 to 31st December, 2009, and HK$0.39 from 1st January, 2010 to 31st December, 2010 which is the maturity date of the convertible notes. On 5th November, 2007 and 7th January, 2008, the aggregate principal amounts to HK$146.9 million and HK$1,173.20 million were issued to independent third parties respectively. The net proceeds of approximately HK$1,287 million were initially intended to be used for potential investment or business opportunities. Details of the share placing and placing of convertible notes were disclosed in the Company's announcements dated 30th August, 2007, and the Company's circular dated 14th September, 2007. As at 30th June, 2008, the Convertible Notes with the aggregate principal amount of HK1.32 billion remained outstanding.

On 7th March, 2008, the Company announced the change of use of proceeds from the Placing and CN Placing, 50% of the relevant net proceeds was to be used for general working capital with the rest remained unchanged.

Looking forward, as the sub-prime mortgage crisis in USA has slow down the USA's and the global economy, the market in the second half of 2008 may become more difficult. Thus, the Group is cautious on the performance of securities investment and the batteries trading business is also expected to be difficult. Following the completion of the placing of shares and placing of convertible notes, the Group's capital and shareholders base are much strengthened. The Board will continue to seek for suitable investment or business opportunities with good strategic value to enhance the shareholders' value of the Company.

On 11th January, 2008, the Group entered into a framework agreement with an independent third party(the"vendor")to acquire part or entire share capital of 蘇尼特左旗小白陽礦業有限公司 and not less than 20% share capital of 蘇尼特左旗芒來礦業有限公司. Further details are set out in the announcement of the Company dated 11th January, 2008. This transaction is still under negotiation up to the date of this report.

At 30th June, 2008, available-for-sale investments and investments held for trading with a carrying value of approximately HK$13,780,000 (31.12.2007: HK$25,270,000) and HK$6,904,000 (31.12.2007: HK$7,735,000) respectively were pledged to secure margin account credit facilities and banking facilities granted to the Group. As at 30th June, 2008, margin loan facility of approximately HK$2,066,000 (31.12.2007: nil) was utilised by the Group. Besides, at 30th June, 2008, prepaid lease payment with a carrying value of approximately HK$9,610,000 (31.12.2007: HK$9,160,000) was pledged to secure short-term bank loan granted to the Group.

CORPORATE GOVERNANCE

The Company has, during the six months ended 30th June, 2008 met the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except for the following deviations:

(a) Code provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Currently all independent non-executive directors of the Company are not appointed for a specific term. However, the Company's articles of association provide that these directors are subject to retirement by rotation and re-election at the annual general meeting, the board considers that the Company meets the objective of the Code Provision of A.4.1.

(b) Code provision B.1.1

Code Provision B.1.1 requires setting up of the remuneration committee. The Company has deviated from the requirement during the six month ended 30th June, 2008 and the remuneration committee has been set up on 11th September, 2008.

(c) Code provision E.1.2

The Code requires the chairman of the board to attend the annual general meeting of the Company. Ms. Chiu Ching Ching did not attend the 2008 annual general meeting as she was not in Hong Kong on that day.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding director's securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30th June, 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

REVIEW BY AUDIT COMMITTEE

Having been reviewed by the Company's Auditors, Deloitte Touche Tohmatsu, the 2008 interim report has been reviewed by audit committee which comprises three independent non-executive directors of the Company.

By order of the Board
CHINA STRATEGIC HOLDINGS LIMITED
Zhang Hong Ren
Director

Hong Kong, 24 September 2008

As the date of this interim results announcement, the Board of the Company comprises Ms. Chiu Ching Ching, Mr. Wong Ah Chik, Mr. Zhang Hong Ren, Mr. Hui Richard Rui, Ms. Chan Ling, Eva, Mr. Lee Sun Man and Mr. Chow Kam Wah as Executive Directors, and Ms. Ma Yin Fan, Mr. Phillip Fei and Mr. Leung Hoi Ying as Independent Non Executive Directors.