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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)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2008

The board of directors (the “Board”) of China Strategic Holdings Limited (the “Company”) announces the results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2008 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Revenue	3	18,699	45,717
Cost of sales		(36,926)	(50,311)
Gross loss		(18,227)	(4,594)
Other income	4	29,789	48,779
Selling and distribution costs		(3,363)	(4,911)
Administrative expenses		(28,494)	(41,101)
Other expenses	5	(38,494)	(31,619)
Finance costs	6	(102,247)	(9,007)
Fair value changes on investments held for trading		(326,731)	34,485
Gain on partial redemption of convertible notes		19,664	—
Impairment loss on goodwill	7	—	(25,807)
Loss before tax		(468,103)	(33,775)
Income tax credit (expense)	8	15,738	(6,595)
Loss for the year	9	(452,365)	(40,370)
Attributable to:			
Equity holders of the Company		(452,365)	(40,369)
Minority interests		—	(1)
		(452,365)	(40,370)
Loss per share	10		
- Basic		HK\$(0.23)	HK\$(0.09)
- Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

At 31st December, 2008

	NOTES	2008 HK\$'000	2007 HK\$'000
Non-Current Assets			
Property, plant and equipment		87,533	91,739
Prepaid lease payments		12,793	19,604
Investment in an associate		—	—
Club debentures		825	825
Available-for-sale investments		8,138	36,978
		<u>109,289</u>	<u>149,146</u>
Current Assets			
Inventories		2,739	9,340
Trade and other receivables	12	65,791	9,743
Prepaid lease payments		321	466
Amount due from an associate		7,101	6,686
Loan and interest receivables		—	41,724
Investments held for trading		399,581	13,800
Bank balances and cash		777,418	191,617
		<u>1,252,951</u>	<u>273,376</u>
Current Liabilities			
Trade payables, other payables and accrued charges	13	69,353	40,150
Amount due to a subsidiary of an associate		7,239	6,686
Loan payables		63,903	82,100
Income tax payable		5,735	5,735
Bank borrowings		15,306	18,042
Obligations under finance leases		26	26
		<u>161,562</u>	<u>152,739</u>
Net Current Assets		<u>1,091,389</u>	<u>120,637</u>
Total Assets less Current Liabilities		<u><u>1,200,678</u></u>	<u><u>269,783</u></u>

	NOTES	2008 HK\$'000	2007 HK\$'000
Capital and Reserves			
Share capital		202,880	52,880
Reserves		145,957	91,925
		<u> </u>	<u> </u>
Equity attributable to equity holders of the Company		348,837	144,805
Minority interests		261	261
		<u> </u>	<u> </u>
Total Equity		<u>349,098</u>	<u>145,066</u>
Non-Current Liabilities			
Deferred tax liabilities		22,548	4,172
Convertible notes		829,001	120,488
Obligations under finance leases		31	57
		<u> </u>	<u> </u>
		<u>851,580</u>	<u>124,717</u>
		<u>1,200,678</u>	<u>269,783</u>

NOTES

1. BASIS OF CONSOLIDATION

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

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The HKICPA has also issued new and revised standards, amendments or interpretations which are not yet effective for the current reporting period. The Group has not early applied these new and revised standards, amendments or interpretations that have been issued but are not yet effective.

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

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into the following two major operating divisions. These divisions are the basis on which the Group reports its primary segment information.

Principal operating divisions are as follows:

Battery products	—	Manufacturing and trading of battery products and related accessories
Investments in securities and advance	—	Investments in and trading of securities and advance of receivables

An analysis of the Group's revenue and segment results and segment assets and liabilities by business segments is as follows:

	Investments in securities and advance HK\$'000	Battery products HK\$'000	Consolidated HK\$'000
<i>For the year ended 31st December, 2008</i>			
Gross proceeds	338,870	18,699	357,569
Segment revenue	—	18,699	18,699
Other income			
- Dividend income from available-for-sale investments	1,287	—	1,287
- Dividend income from investments held for trading	520	—	520
- Gain on disposal of available-for-sale investments	1,557	—	1,557
- Interest income	4,302	253	4,555
- Others	441	1,579	2,020
	8,107	1,832	9,939
RESULT			
Segment result	(348,113)	(28,639)	(376,752)
Unallocated corporate income			41,277
Unallocated corporate expenses			(30,381)
Finance costs			(102,247)
Loss before tax			(468,103)
Income tax credit			15,738
Loss for the year			(452,365)

	Investments in securities and advance HK\$'000	Battery products HK\$'000	Consolidated HK\$'000
<i>Assets and liabilities</i>			
<i>at 31st December, 2008</i>			
ASSETS			
Segment assets	480,917	96,804	577,721
Unallocated			784,519
Consolidated total assets			<u>1,362,240</u>
LIABILITIES			
Segment liabilities	45,072	31,521	76,593
Unallocated corporate liabilities			936,549
Consolidated total liabilities			<u>1,013,142</u>

	Investments in securities and advance HK\$'000	Battery products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<i>Other information</i>				
<i>for the year ended 31st December, 2008</i>				
Capital additions				
- Property, plant and equipment	1,073	5,984	—	7,057
Depreciation of property, plant and equipment	6,048	1,268	—	7,316
Impairment loss on property, plant and equipment	—	9,063	—	9,063
Impairment loss on available-for-sale investments	22,596	—	—	22,596
Impairment loss on inventories	—	5,172	—	5,172
Impairment loss on prepaid lease payments	—	—	6,835	6,835
Fair value changes on investments held for trading	326,731	—	—	326,731
Release of prepaid lease payments	118	533	—	651
	<u>118</u>	<u>533</u>	<u>—</u>	<u>651</u>

	Investments in securities and advance HK\$'000	Battery products HK\$'000	Consolidated HK\$'000
<i>For the year ended 31st December, 2007</i>			
Gross proceeds	<u>106,364</u>	<u>45,717</u>	<u>152,081</u>
Segment revenue	<u>—</u>	<u>45,717</u>	<u>45,717</u>
Other income			
- Dividend income from available-for-sale investments	3,189	—	3,189
- Dividend income from investments held for trading	152	—	152
- Interest income	2,067	—	2,067
- Others	—	2,311	2,311
	<u>5,408</u>	<u>2,311</u>	<u>7,719</u>
RESULT			
Segment result	<u>18,582</u>	<u>(39,238)</u>	(20,656)
Unallocated corporate income			37,418
Unallocated corporate expenses			(41,530)
Finance costs			<u>(9,007)</u>
Loss before tax			(33,775)
Income tax expenses			<u>(6,595)</u>
Loss for the year			<u>(40,370)</u>
	Investments in securities and advance HK\$'000	Battery products HK\$'000	Consolidated HK\$'000
<i>Assets and liabilities at 31st December, 2007</i>			
ASSETS			
Segment assets	102,774	114,280	217,054
Unallocated			<u>205,468</u>
Consolidated total assets			<u>422,522</u>
LIABILITIES			
Segment liabilities	14,158	25,992	40,150
Unallocated corporate liabilities			<u>237,306</u>
Consolidated total liabilities			<u>277,456</u>

	Investments in securities and advance HK\$'000	Battery products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<i>Other information</i>				
<i>for the year ended 31st December, 2007</i>				
Capital additions				
- Property, plant and equipment	12	43,319	216	43,547
Depreciation of property, plant and equipment	162	2,195	—	2,357
Release of prepaid lease payments	117	521	—	638
Impairment loss on goodwill	—	25,807	—	25,807
Impairment loss on inventories	—	13,987	—	13,987
Impairment loss on available-for-sale investments	5,348	—	—	5,348
Impairment loss on amount due from an associate	—	1,272	—	1,272
Impairment loss on prepaid lease payments	—	—	8,015	8,015
Impairment loss on other receivables	—	—	946	946
Impairment loss on loans and interest receivables	191	—	—	191
Fair value changes on investments held for trading	(34,485)	—	—	(34,485)
Reversal of impairment loss on trade receivables	—	(310)	—	(310)
	<u>—</u>	<u>(310)</u>	<u>—</u>	<u>(310)</u>

Geographical segments

The following table provides an analysis of the Group's sales based on location of customers, irrespective of the origin of the goods and services:

	2008 HK\$'000	2007 HK\$'000
The People's Republic of China ("PRC")	8,001	29,611
Hong Kong	10,698	16,106
	<u>18,699</u>	<u>45,717</u>

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located, except for those investments held for trading and available-for-sale investments which were analysed by the geographical area in which those investment securities were publicly traded:

	Carrying amount of segment assets At 31st December,		Additions of property, plant and equipment For the year ended 31st December,	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	76,956	120,966	6,855	42,913
Hong Kong	500,765	96,088	202	634
	<u>577,721</u>	<u>217,054</u>	<u>7,057</u>	<u>43,547</u>
4. OTHER INCOME			2008	2007
			HK\$'000	HK\$'000
Interest income from banks			20,103	785
Interest income from loans receivables			1,952	2,481
			<u>22,055</u>	<u>3,266</u>
Gain on disposal of available-for-sale investments			1,557	39,625
Dividend income from available-for-sale investments			1,287	3,189
Dividend income from investments held for trading			520	152
Others			4,370	2,547
			<u>29,789</u>	<u>48,779</u>
5. OTHER EXPENSES			2008	2007
			HK\$'000	HK\$'000
Impairment loss on available-for-sale investments			22,596	5,348
Impairment loss on amount due from an associate			—	1,272
Impairment loss on loan and interest receivables			—	191
Impairment loss on other receivables			—	946
Impairment loss on prepaid lease payments			6,835	8,015
Impairment loss on property, plant and equipment			9,063	—
Commission expenses on investments held for trading			—	15,847
			<u>38,494</u>	<u>31,619</u>

6. FINANCE COSTS

	2008 HK\$'000	2007 HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank borrowings	1,320	1,071
Loan payables	5,537	6,782
Obligations under finance leases	7	6
Effective interest expense on convertible notes	95,383	1,148
	<u>102,247</u>	<u>9,007</u>

7. IMPAIRMENT LOSS ON GOODWILL

The carrying amount of the goodwill of approximately HK\$25,807,000 at 1st January, 2007 was arisen on the acquisition of certain subsidiaries in the segment of battery products. The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections for a period of 10 years (assuming the business licence expiring in 2012 can be renewed at minimal costs), including financial budgets approved by management covering a 5-year period, with a 7% growth rate and discount rate of 13%. The growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. During the year ended 31st December, 2007, the Group recognised an impairment loss of approximately HK\$25,807,000 in relation to goodwill arising on acquisition of the segment of battery products.

8. INCOME TAX (CREDIT) EXPENSE

	2008 HK\$'000	2007 HK\$'000
Hong Kong Profits Tax		
- Current year	—	3,520
- Underprovision in prior years	—	860
Taxation in other jurisdictions		
- Current year	—	2,215
Deferred tax		
- Current year	(15,738)	—
	<u>(15,738)</u>	<u>6,595</u>

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore income tax credit for the year is calculated at 16.5% (2007: 17.5%).

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, a PRC subsidiary of the Group is exempted from the PRC income tax for two years commencing from the year ended 31st December, 2008, its first profit-making year, followed by a 50% relief from the PRC income tax for the next three years.

On 16th March, 2007, 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. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1st January, 2008 onwards. The relevant tax rates for the Group's subsidiaries in the PRC was 25% (2007: 33%).

9. LOSS FOR THE YEAR

	2008 HK\$'000	2007 HK\$'000
Loss for the year has been arrived at after charging:		
Staff costs		
- directors' emoluments	9,113	5,737
- other staff costs	9,577	12,833
- retirement benefits schemes contributions, excluding directors	334	326
- share-based payment expenses, excluding directors	—	8,069
	<u>19,024</u>	<u>26,965</u>
Total staff costs		
Auditor's remuneration	1,170	1,180
Depreciation of property, plant and equipment	7,316	2,357
Release of prepaid lease payments	651	638
Cost of inventories recognised as expense	36,926	50,311
Impairment loss on inventories, included in cost of sales	5,172	13,987
Loss on disposal of property, plant and equipment	—	161
and after crediting:		
Exchange gain	4,791	2,263
Reversal of impairment loss on trade receivables	—	310
	<u>4,791</u>	<u>2,573</u>

10. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to the equity holders of the Company of approximately HK\$452,365,000 (2007: HK\$40,369,000) and the weighted average number of 2,004,207,379 (2007: 464,666,036) ordinary shares in issue during the year.

The computation of diluted loss per share for the year ended 31st December, 2007 and 2008 does not assume the conversion of the Company's outstanding convertible notes and share options since their exercise would result in a decrease in loss per share.

11. FINAL DIVIDEND

The Board of the Company does not recommend the payment of any final dividend for the year ended 31st December, 2008 (2007: nil).

12. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2008	2007
	HK\$'000	HK\$'000
Trade receivables	1,803	4,284
Less: allowance for doubtful debts	(740)	(699)
	<u>1,063</u>	<u>3,585</u>

The Group normally allows its trade customers credit period ranging from 90 days to 180 days. The following is an aged analysis of trade receivables, net of allowance for doubtful debts at the reporting date:

	THE GROUP	
	2008	2007
	HK\$'000	HK\$'000
0-90 days	914	3,343
91-180 days	149	36
Over 180 days	—	206
	<u>1,063</u>	<u>3,585</u>

13. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

Included in trade payables, other payables and accrued charges are trade payables of approximately HK\$3,282,000 (2007: HK\$4,660,000) with the following aged analysis at the balance sheet date:

	THE GROUP	
	2008	2007
	HK\$'000	HK\$'000
0-90 days	859	2,720
91-180 days	1,641	1,501
Over 180 days	782	439
	<u>3,282</u>	<u>4,660</u>

The average credit period on purchases of goods is 90 days.

14. CONTINGENT LIABILITIES

During the year ended 31st December, 2008 and 2007, the Company issued guarantee of HK\$13,500,000 and indemnity to a bank for the banking facilities granted to a non-wholly owned subsidiary and the amount utilised by that non-wholly owned subsidiary as at 31st December, 2007 and 2008 was approximately HK\$3,573,000.

15. COMMITMENTS

At the balance sheet date, the Group had the following capital commitments:

	2008 HK\$'000	2007 HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>8,218</u>	<u>3,332</u>

16. PLEDGE OF ASSETS

- (a) At 31st December, 2008, available-for-sale investments and investments held for trading with a carrying value of approximately HK\$6,103,000 (2007: HK\$25,270,000) and HK\$1,094,000 (2007: HK\$7,735,000), respectively were pledged to secure margin account credit facilities and banking facilities granted to the Group. As at 31st December, 2008 and 2007, no margin loan facility was utilised by the Group.
- (b) At 31st December, 2008, land use right (included in prepaid lease payments) with a carrying value of approximately HK\$9,487,000 (2007: HK\$9,160,000) was pledged to secure a short-term bank loan granted to a subsidiary.

MANAGEMENT DISCUSSION & ANALYSIS

The revenue of the Group for the year ended 31st December, 2008 decreased by approximately HK\$27.02 million to approximately HK\$18.70 million. The revenue for the year was generated from the manufacturing and trading of batteries products. With the financial crisis arisen from sub-prime mortgage crisis in the United States of America (the "USA"), 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 high production costs in mainland China amid sustained wages, rising social security benefits and more stringent overseas safety requirements and the credit crunch also hit the domestic demand for the products. Interest income increased by approximately HK\$18.79 million mainly because of increase in interest generating in 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\$326.73 million for the year 2008 as compared to a gain of HK\$34.49 million for the year 2007. During the year, administrative expenses decreased 30.67% or HK\$12.61 million to HK\$28.49 million. During the year, the Company granted shares options to a director and the consultant of the Company to subscribe ordinary shares of the Company and accordingly an amount of the share based payment expenses of approximately HK\$3.07 million were recognized respectively and included in the administrative expenses for the year to reflect the effect of granting the share options to a director and a consultant of the Company. Finance costs had increased during the period as the second tranche of 2007 convertible notes in the amount of HK\$1,173.15 million was issued on 7th January 2008 and as a result, a financial expense of HK\$95.38 million has been recorded under the requirements of the Hong Kong Accounting standard ("HKAS") 39 and HKAS 32. However, such financial expenses do not affect the Company's cash flow for the period. Overall, loss for the year 2008 amounted to HK\$452.37 million and was an increase of HK\$412.00 million from the year 2007.

During the financial year of 2008, 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 31 December 2008, the Group had working capital calculated by current assets less current liabilities of approximately HK\$1,091.39 million and the current ratio increased to 7.76, compared with the working capital of approximately HK\$120.64 million and current ratio of 1.79 as at 31 December 2007.

In the fiscal year of 2008, the net cash used in operating activities was approximately HK\$764.55 million compared with HK\$6.60 million generated by operating activities for the year 2007. The net cash generated by investing activities and financing activities in the fiscal year 2008 was approximately HK\$63.02 million and HK\$1,287.24 million respectively compared with approximately HK\$4.33 million net cash used in investing activities and HK\$183.61 million net cash generated by financing activities in 2007.

The Group's bank borrowings slightly decreased from approximately HK\$18.04 million as at 31st December, 2007 to approximately HK\$15.31 million as at 31st December, 2008, representing a decrease of 15%. There was HK\$0.06 million (2007:HK\$0.08 million) obligations under finance lease as at 31 December 2008. In 2008, the Group has issued convertible notes on 5th November, 2007, 7th January, 2008 and early redeemed partial convertible notes in November 2008, and as at 31st December, 2008, the aggregated outstanding principal amount of the convertible notes was HK\$1,008.90 million, 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 up to 31st December, 2008, HK\$0.36 per share from 1st January, 2009 to 31st December, 2009 and HK\$0.39 per share from 1st January, 2010 to the maturity date, the liability component of the convertible notes was approximately HK\$829.00 million. The gearing ratio was increased from 0.83 as at 31st December 2007 to 2.90 as at 31st December, 2008, calculated by the total liabilities of HK\$1,013.14 million divided by total shareholders' equity of HK\$349.10 million.

Capital expenditure aggregated to approximately HK\$7.06 million for the year ended 31st December 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 31st December 2008, the Group had cash and bank balances amount to approximately of HK\$777.42 million and is mainly denominated in Hong Kong dollars. Fair value of investments held for trading was in an amount of HK\$399.58 million. As at 31st December 2008, there was no bank deposit pledged. During the year ended 31st December, 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 foreign contracts, currency swaps or other financial derivatives. As at 31st December 2008, the Company issued guarantee and indemnity to a bank for the banking facilities granted to a non-wholly owned subsidiary.

As at 31st December 2008, the Group employed approximately 131 staff, the staff costs (excluding directors' emoluments) was around HK\$9.91 million for the year. 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 and the employees in the Group's joint venture subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the government in the PRC. In addition, the Group provides other staff benefits which include double pay, share option scheme, insurance and medical benefits.

During the year 2008, the Company has granted share option to a Director and a consultant of the Company to subscribe 20,000,000 and 4,000,000 ordinary shares of the Company respectively both at the subscription price of HK\$0.58 per share. As at 31st December 2008, 28,800,000 share options granted were still outstanding. During the year 2008, no options granted had been exercised.

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 7 January 2008 and the net proceeds of HK\$482.63 million were initially intended to be used for potential investments 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\$1,320.00 million ("CN Placing"). The convertible note are non-interest bearing and would carry a right to convert into new shares at the conversion prices 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 share from 1st January, 2009 to 31st December, 2009, and HK\$0.39 per share from 1st January, 2010 to maturity date of the convertible notes. On 5th November, 2007 and 7th January, 2008, the aggregate principal amounts to HK\$146.85 million and HK\$1,173.15 million were issued respectively. The net proceeds of approximately HK\$1,287.00 million were initially intended to be used for potential investments or business opportunities. Details of the share placing and placing of convertible notes were disclosed in the Company's announcements dated 30 August 2007, and the Company's circular dated 14 September 2007.

On 7th March, 2008 and 30th October, 2008, the Company announced the change of use of proceeds from the Placing and CN Placing, the relevant net proceeds were to be used for general working capital and/or redemption of existing convertible notes.

Looking forward, as the sub-prime mortgage crisis in the United States has slow down the USA's and the global economy is likely to continue during 2009 and the interest rate is expected on hold until the second half of 2009. Thus, the Group is cautious on the performance of securities and treasury investment and the batteries manufacturing and trading business is also expected to be difficult. Following the completion of the fund raising in 2008 and partial redemption of convertible notes, the Group's capital and shareholders base are much strengthened and the gearing ratio of the group also improved. The Board will continue to seek for suitable investments or business opportunities with good strategic value to enhance the shareholder s' value of the Company.

REDEMPTION OF CONVERTIBLE NOTES ISSUED BY THE COMPANY

During the year, the Company has issued convertible notes with a principal amount of HK\$1,173.15 million to independent third parties, which are non-interest bearing with maturity date on 31st December, 2010 with the conversion price ranging from HK\$0.33 to HK\$0.39 per share, subject to anti-dilutive adjustments.

As at 10th November 2008, the Company early redeemed convertible notes with a principal amount of HK\$311.10 million. At the balance sheet date, the outstanding principal amount of the convertible notes was HK\$1,008.90 million.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company has complied with the code provision of the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2008, except for the following deviations:

1. Code provision A2.1 requires the roles of the Chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has deviated from the requirement since 3rd October, 2008 due to the resignation of the chief executive officer. The Company has appointed a chief executive officer on 20 April 2009.
2. Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election. Independent non-executive directors of the Company do not have a specific term of appointment as subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company is fair and reasonable.
3. Code Provision B.1.1 requires setting up of the remuneration committee with a majority of the members being independent non-executive directors. The Company has deviated from the requirement up to 11th September, 2008. The remuneration committee has been set up on 11th September, 2008.
4. Code Provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. The Chairman was unable to attend the 2008 annual general meeting as she had another engagement that was important to the business of the Company.

EMOLUMENT POLICY

A Remuneration Committee is set up for reviewing the Group's emolument policy structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market statistic.

The Company has adopted a share option scheme as an incentive to directors and eligible employees.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all the directors of the Company, the directors complied throughout the year in review with the required standards as set out in the Model Code.

REVIEW BY AUDIT COMMITTEE

The 2008 annual results have been reviewed by the audit committee.

By Order of the Board
CHINA STRATEGIC HOLDINGS LIMITED
CHOW KAM WAH
Director

Hong Kong, 22 April 2009

As at the date of this announcement, the Board comprises Ms. Chiu Ching Ching, Mr. Yeung Kwok Yu, Mr. Hui Richard Rui, Ms. Chan Ling, Eva, Mr. Lee Sun Man and Mr. Chow Kam Wah as executive directors of the Company, and Ms. Ma Yin Fan, Mr. Phillip Fei and Mr. Leung Hoi Ying as independent non-executive directors of the Company.