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If you are in any doubt as to any aspect of this circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional adviser.

If you have sold or transferred all your shares in **China Strategic Holdings Limited**, you should at once hand this circular and the enclosed proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser and transferee.

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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)

CIRCULAR

**REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES,
REFRESHMENT OF SCHEME LIMIT,
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**

**OPTIMA
CAPITAL
Optima Capital Limited**

A letter from the Board is set out on page 4 to 9 of this circular.

A notice convening an extraordinary general meeting of China Strategic Holdings Limited (the "Company") to be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 11 March 2008 at 10:00 a.m. or any adjournment thereof is set out on pages 17 to 19 of this circular. A proxy form for use in the extraordinary general meeting is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's share registrar and transfer office in Hong Kong, Tricor Standard Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

Hong Kong, 18 February 2008

CONTENTS

	<i>Pages</i>
Definitions	1
Letter from the Board	4
INTRODUCTION	4
REFRESHMENT OF GENERAL MANDATE	5
REFRESHMENT OF SCHEME LIMIT	6
EGM	8
PROCEDURE BY WHICH A POLL MAY BE DEMANDED	8
RESPONSIBILITY STATEMENT	8
RECOMMENDATION	8
Letter from the Independent Board Committee	10
Letter from Optima Capital	11
Notice of Extraordinary General Meeting	17

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

“AGM”	the annual general meeting of the Company held on 6 June 2007
“Articles”	the articles of association of the Company
“associates”	has the meaning given to that term in the Listing Rules
“Board”	the board of Directors
“Company”	China Strategic Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“Conversion Shares”	those shares to be issued upon the exercise of the conversion rights under the placing of the Convertible Notes through the Placing Agent on a best effort basis, namely, a maximum of 4,000,000,000 new Shares falling to be issued upon full exercise of the conversion rights attached to the Convertible Notes at the initial conversion price of HK\$0.33 per Share (subject to adjustment)
“Convertible Notes”	the convertible redeemable notes issued by the Company in the maximum aggregate principal amount of HK\$1,320,000,000 due on 31 December 2010 pursuant to the terms of the conditional placing agreement dated 23 August 2007 entered into between the Company and the Placing Agent (as supplemented and amended by a side letter made between the Company and the Placing Agent on 29 August 2007)
“Director(s)”	director(s) of the Company
“EGM”	extraordinary general meeting of the Company to be convened to approve the matter(s) referred to herein
“Existing Issue Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM to exercise the powers of the Company to allot, issue and deal with securities of the Company not exceeding 20% of the aggregate nominal amount of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board comprising Ms. Ma Yin Fan, Mr. Phillip Fei and Mr. Leung Hoi Ying formed to advise the Independent Shareholders in relation to the proposed Refreshment of General Mandate
“Independent Shareholders”	Shareholders other than the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Latest Practicable Date”	14 February 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Optima Capital”	Optima Capital Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Refreshment of General Mandate
“Original Scheme Limit”	the maximum number of Shares that may be issued upon exercise of all options granted or to be granted under the Scheme being 10% of the issued share capital at the date of approval at AGM
“Placing Agent”	Kingston Securities Limited, a licensed corporation to carry on type 1 (dealing in securities) regulated activities for the purposes of the SFO
“Refreshed Issue Mandate”	the general mandate proposed to be sought at the EGM to authorise the Directors to allot, issue and deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the EGM
“Refreshed Scheme Limit”	the maximum number of Shares that may be issued upon exercise of all options to be granted under the Scheme upon approval of the Refreshment of Scheme Limit, which shall not in aggregate exceed 10% of the Shares in issue as at the date of approval at the EGM
“Refreshment of General Mandate”	the proposed refreshment of the Existing Issue Mandate into the Refreshed Issue Mandate

DEFINITIONS

“Refreshment of Scheme Limit”	the proposed refreshment of the Original Scheme Limit into the Refreshed Scheme Limit
“Scheme”	the existing share option scheme of the Company adopted on 4 June 2002
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

LETTER FROM THE BOARD



CHINA STRATEGIC HOLDINGS LIMITED

(中策集團有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code : 235)

Executive Directors:

Ms. Chiu Ching Ching
Mr. Wong Ah Chik
Mr. Zhang Hong Ren
Mr. Kwok Ka Lap, Alva
Ms. Chan Ling, Eva
Mr. Lee Sun Man
Mr. Chow Kam Wah

Registered Office:

Room 4503
45th Floor
China Resources Building
26 Harbour Road
Wan Chai
Hong Kong

Independent Non-Executive Directors:

Ms. Ma Yin Fan
Mr. Phillip Fei
Mr. Leung Hoi Ying

18 February 2008

To the Shareholders

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES,
REFRESHMENT OF SCHEME LIMIT,
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information on the Refreshment of General Mandate and the Refreshment of Scheme Limit in order to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

REFRESHMENT OF GENERAL MANDATE

At the AGM, ordinary resolutions were passed to grant general mandates to the Directors to exercise the powers (i) to allot, issue and deal with securities of the Company not exceeding 20% of the aggregate nominal amount of the then issued share capital of the Company, being 88,159,508 Shares based on the 440,797,543 Shares in issue as at the date of the AGM; and (ii) to repurchase securities of the Company not exceeding 10% of the aggregate nominal amount of the then issued share capital of the Company as at the date of the AGM. The Company has not refreshed the general mandates to issue Shares since the AGM.

As announced by the Company on 30 August 2007, it had allotted and issued 88,000,000 Shares under the Existing Issue Mandate and hence 159,508 Shares were not utilised thereunder as at the Latest Practicable Date.

As disclosed in the announcements of the Company dated 28 December 2007 and 11 January 2008 in relation to signing of a memorandum of understanding and a framework agreement, the Company has been exploring potential business and investment opportunities in the natural resources industry. In this connection, additional working capital requirements will continue to be needed. In anticipation of such funding requirements, the Refreshment of General Mandate would empower the Directors to issue new Shares under the Refreshed Scheme Limit speedily as and when necessary, and without seeking further approval from the Shareholders. This could give the Company the flexibility and ability to capture any capital raising or investment or business opportunity as and when it arises. Such ability is crucial in a competitive and rapidly changing capital market and investment environment. For these reasons, the Directors (including independent non-executive Directors) believe that it is in the interests and for the benefit of the Company and the Shareholders as a whole if the Existing Issue Mandate is refreshed.

Save for the allotment and issue of the Conversion Shares upon exercise of the conversion right attaching to the Convertible Notes, the Directors had no intention or plan for raising capital by the issue of new securities of the Company as at the Latest Practicable Date. In the event that there is any such issue, the Company will comply with the applicable requirements of the Listing Rules.

As at the Latest Practicable Date, the Company had 2,028,797,543 Shares in issue. On the basis that no Shares would be issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the EGM, the Refreshed Issue Mandate would allow the Directors to allot, issue and deal with up to 405,759,508 new Shares, representing 20% of the aforesaid issued share capital of the Company. The Existing Issue Mandate granted to the Directors to exercise the power of the Company to allot, issue and deal with 159,508 Shares as mentioned above shall be revoked upon approval of the Refreshed Issue Mandate at the EGM.

The Directors are of the opinion that the granting of the Refreshed Issue Mandate is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole, and accordingly recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Refreshed Issue Mandate.

LETTER FROM THE BOARD

As the Refreshment of General Mandate is being proposed prior to the next annual general meeting of the Company, it is subject to the Independent Shareholders' approval at the EGM by way of poll. Pursuant to Rules 13.36(4)(a) and (c) of the Listing Rules, it requires the approval of the Independent Shareholders by way of poll at the EGM. The controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding the independent non-executive Directors) and the chief executive and their respective associates shall abstain from voting in favour at the EGM. As at the Latest Practicable Date, the Company did not have any controlling Shareholder. Therefore, Ms. Chiu Ching Ching, Mr. Wong Ah Chik, Mr. Zhang Hong Ren, Mr. Kwok Ka Lap, Alva, Ms. Chan Ling, Eva, Mr. Lee Sun Man and Mr. Chow Kam Wah, all being executive Directors, and their respective associates, whom together hold 0 Share (representing 0% of the issued share capital of the Company as at the Latest Practicable Date), are required to abstain from voting at the EGM.

The Refreshed Issue Mandate will, if granted, remain effective until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by law or the Articles; and (iii) the revocation or variation by an ordinary resolution of the Shareholders in general meeting.

REFRESHMENT OF SCHEME LIMIT

The Company adopted the Scheme on 4 June 2002 pursuant to approval by the then shareholders of the Company. The objective of the Scheme is to enable the Group to grant share options to eligible participants as incentives or rewards for their contribution to the Group. Through the granting of share options, eligible participants would have a means to obtaining equity holdings in the Company whereby their interests are aligned with the interests of the Company and the Shareholders as a whole.

The maximum number of Shares which may fall to be issued under the Scheme was 46,097,894 Shares, being 10% of the Shares in issue as at the date on which the Scheme was adopted by a resolution of the then shareholders of the Company. As at the Latest Practicable Date, options were offered to eligible participants to subscribe 42,000,000 Shares at the exercise price of HK\$0.724 per Share and thus option(s) to subscribe 4,097,894 Shares pursuant to the Scheme remained outstanding. Therefore, the Original Scheme Limit had been near depletion.

In order to encourage the participants who are regarded as valuable human resources of the Group or who have contributed to the growth and success of the Group to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Company attained through their effort and contribution by granting further options, the Board proposes the Refreshment of Scheme Limit, and is of the opinion that the same is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Currently, pursuant to the Listing Rules and provisions of the Scheme,

- (i) the maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 30% of the Shares of the Company in issue from time to time;
- (ii) the total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme(s) of the Company) to be granted under the Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the Refreshed Scheme Limit; and
- (iii) the Company may seek approval of the Shareholders in general meeting to refresh the Original Scheme Limit.

The remaining option(s) to subscribe 4,097,894 Shares under the Scheme as referred to hereinabove will lapse after the Refreshment of Scheme Limit pursuant to Rule 17.03(3) of the Listing Rules. For the purpose of calculating the Refreshed Scheme Limit, share options (including those outstanding, cancelled, lapsed or exercised in accordance with this Scheme and any other share option scheme(s) of the Company) previously granted under the Scheme and any other share option scheme(s) of the Company shall not be counted. Assuming that no Shares are issued or repurchased by the Company from the Latest Practicable Date up to the EGM, the Company will have 2,028,797,543 Shares in issue as at the date of the EGM. The Refreshed Scheme Limit, if approved by the Shareholders at the EGM, will allow the Company to issue under the Scheme a maximum of 202,879,754 Shares, representing 10% of the issued share capital of the Company as at the date of approval of the Refreshed Scheme Limit.

The Refreshment of Scheme Limit is conditional upon: (i) the passing of an ordinary resolution by the Shareholders at the EGM; and (ii) the Listing Committee of the Stock Exchange granting the approval of listing of, and permission to deal in, any new Shares which may be issued upon exercise of option(s) to be granted under the Scheme under the Refreshed Scheme Limit, representing a maximum of 10% of the Shares in issue as at the date of approval of the relevant resolution at the EGM.

Application will be made to the Stock Exchange for the listing of and permission to deal in any Shares, representing 10% of the share capital of the Company in issue as at the date of the EGM which may fall to be issued upon the exercise of any options that may be granted under the Refreshed Scheme Limit and any other share option scheme(s) of the Company pursuant to Rule 17.03(3) of the Listing Rules.

LETTER FROM THE BOARD

EGM

A notice for convening the EGM is set out on pages 17 to 19. The EGM will be convened for the purpose of considering and, if thought fit, passing the ordinary resolutions to approve the Refreshment of General Mandate and the Refreshment of Scheme Limit. A form of proxy for the use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's share registrar and transfer office, Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjourned meeting thereof) should you wish to do so. An announcement will be made by the Company following the conclusion of the EGM to inform you of its results.

PROCEDURE BY WHICH A POLL MAY BE DEMANDED

Pursuant to Article 80 of the Articles, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded (i) by the Chairman of the meeting; or (ii) by at least three members present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or (iii) by any member or members present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (iv) by a member or members present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all Shares conferring that right.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders on the Refreshment of General Mandate.

LETTER FROM THE BOARD

Optima Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Refreshment of General Mandate. Your attention is drawn to the letter of advice from Optima Capital, which contains its recommendation and the principal factors and reasons it has taken into account in arriving at its recommendation. The letter is set out in the section headed “Letter from Optima Capital” of this circular.

The Independent Board Committee, having taken into account the terms of the Refreshment of General Mandate and the advice of Optima Capital, considers the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole and accordingly recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM for approving the Refreshment of General Mandate. The full text of the letter from the Independent Board Committee is set out in the section headed “Letter from the Independent Board Committee” of this circular.

The Directors (including all the independent non-executive Directors) are of the view that the Refreshment of General Mandate and the Refreshment of Scheme Limit are fair and reasonable, and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors (including all the independent non-executive Directors) recommend all the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

By order of the Board
China Strategic Holdings Limited
Chow Kam Wah
Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CHINA STRATEGIC HOLDINGS LIMITED

(中策集團有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code : 235)

18 February 2008

To the Independent Shareholders

Dear Sir or Madam,

**REFRESHMENT OF GENERAL MANDATE
TO ALLOT AND ISSUE SHARES**

We refer to the circular dated 18 February 2008 issued by the Company (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been established by the Board for the purpose of advising the Independent Shareholders in connection with the Refreshment of General Mandate, details of which are set out in the “Letter from the Board” in the Circular. The Independent Board Committee comprises the three independent non-executive Directors. Optima Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Refreshment of General Mandate. Details of the advice from Optima Capital together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 11 to 16 of the Circular.

Having considered the terms of the Refreshment of General Mandate and the advice of Optima Capital, we consider that the terms of the Refreshment of General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Refreshment of General Mandate.

Yours faithfully,

Independent Board Committee

Ma Yin Fan Phillip Fei Leung Hoi Ying

Independent non-executive Directors

LETTER FROM OPTIMA CAPITAL

The following is the text of a letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate, which has been prepared for the purpose of inclusion in this Circular.



Unit 3618, 36th Floor
Bank of America Tower
12 Harcourt Road, Central
Hong Kong

18 February 2008

*To the Independent Board Committee and the
Independent Shareholders of China Strategic Holdings Limited*

Dear Sirs,

REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate, details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular of the Company to the Shareholders dated 18 February 2008 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, only 159,508 Shares can be issued under the Existing Issue Mandate which was granted to the Directors at the AGM held on 6 June 2007. The Board therefore proposes to seek approval of the Independent Shareholders for the grant of the Refreshed Issue Mandate so that the Directors will be granted the authority to issue, allot and deal with new Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the relevant resolution at the EGM. Pursuant to Rule 13.36(4)(a) and (c) of the Listing Rules, any refreshments of the general mandate made before the next annual general meeting of a listed issuer requires the approval of the independent shareholders by way of poll with the controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates to abstain from voting in favour of the relevant resolution to approve any refreshments of general mandate. The Board confirmed that as at the Latest Practicable Date, the Company did not have any controlling Shareholder. As such, Ms. Chiu Ching Ching, Mr. Wong Ah Chik, Mr. Zhang Hong Ren, Mr. Kwok Ka Lap, Alva, Ms. Chan Ling, Eva, Mr. Lee Sun Man and Mr. Chow Kam Wah, all being executive Directors, and their respective associates, whom together hold 0 Share (representing 0% of the issued share capital of the Company as at the Latest Practicable Date), are required to abstain from voting in favour of the resolution for approving the Refreshment of General Mandate at the EGM.

LETTER FROM OPTIMA CAPITAL

The Independent Board Committee, comprising Ms. Ma Yin Fan, Mr. Phillip Fei and Mr. Leung Hoi Ying, all being independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the Refreshment of General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in this regard.

In formulating our advice and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and provided to us by the Company, its Directors and management. We have assumed that all the statements of beliefs, opinions, assumptions and intentions made by the Directors in the Circular were made reasonably after due and careful enquiry and were based on honestly-held opinion and that all the information, facts, opinions and representations made to us or contained or referred to in the Circular were true, accurate and complete in all respects at the time they were made and continued to be true, accurate and complete in all respects as at the date of the EGM and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Company, the Directors and its management and have been confirmed by the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular.

We have reviewed currently available information and documents, which are available under the present circumstances to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our recommendation. We have no reason to suspect that any relevant information or reports have been withheld, nor are we aware of any facts or circumstances which would render the information provided and the representations made to us to be untrue, inaccurate or misleading. We have not, however, carried out any form of independent investigation into the business, affairs, operations, financial position or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Refreshment of General Mandate to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background of and reasons for the Refreshment of General Mandate

The Group is principally engaged in investment holding and manufacturing and trading of batteries products.

The Directors are authorized to allot, issue and deal with up to a maximum of 88,159,508 Shares under the Existing Issue Mandate which was granted to the Directors at the AGM, being 20% of the aggregate issued shares capital of the Company thereof. As stated in the Letter from the Board, the Existing Issue Mandate has not been refreshed since it was granted.

LETTER FROM OPTIMA CAPITAL

The Company conducted a placing of 88,000,000 new Shares (“Placing”) under the Existing Issue Mandate in around September 2007, details of which are set out in the announcement of the Company dated 30 August 2007 (“August Announcement”). Upon completion of the Placing, the Existing Issue Mandate has been substantially utilized and only 159,508 new Shares could be issued by the Company under the Existing Issue Mandate. Accordingly, the Directors propose to seek approval of the Independent Shareholders to grant the Refreshed Issue Mandate by way of poll at the EGM.

As at the Latest Practicable Date, the Company had 2,028,797,543 Shares in issue. Assuming that no Shares would be issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the EGM, the Refreshed Issue Mandate would allow the Directors to allot, issue and deal with up to 405,759,508 new Shares, representing 20% of the aforesaid issued share capital of the Company.

We note from the announcements of the Company dated 28 December 2007 and 11 January 2008 in relation to signing of a memorandum of understanding and a framework agreement for the acquisitions of mining companies, the Group has been exploring potential business and investment opportunities in the natural resources industry. As stated in the Letter from the Board, in anticipation of the aforesaid funding requirements, the Refreshment of General Mandate would empower the Directors to issue new Shares under the Refreshed Issue Mandate speedily as and when necessary, and without the requirement of seeking further approval from the Shareholders, which could give the Company the flexibility and ability to capture any capital raising or investment or business opportunity as and when it arises.

In view of the above, and taking into account that the Existing Issue Mandate has almost been fully utilized, we concur with the view of the Directors that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

2. Current financial resources

According to the interim report of the Company for the six months ended 30 June 2007, the Group had unaudited bank balances and cash of approximately HK\$56.12 million. As referred to in the August Announcement, the Company has raised net proceeds of (i) approximately HK\$28 million from the Placing and; (ii) approximately HK\$1,768.8 million from the placing of 1,500,000,000 new Shares under a special mandate (“Second Placing”) and placing of convertible notes with aggregate principal amount of HK\$1,320 million (“CN Placing”). The Company intended to use the net proceeds from the Placing as general capital of the Company and the net proceeds from the Second Placing and CN Placing for potential investment and business opportunities.

We have discussed with the Directors and were advised that, the existing cash and facility resources of the Group are sufficient for it to conduct its daily operations. However, there is no certainty that such cash level will be adequate to finance for any potential investments opportunity that may be identified by the Company in the future. Thus the Directors believe that the Refreshed Issue Mandate will enable the Company to take advantage of the market condition to raise additional

LETTER FROM OPTIMA CAPITAL

funds or enhance the flexibility for capture investment or business opportunities identified by the Company. We consider that it is prudent and reasonable for the Company to avail itself with authorities to issue new Shares for further strengthening capital base of the Company whilst additional funding may be needed for suitable investment opportunities as they may arise from time to time.

3. Financial flexibility

Given that equity financing is interest and security free by nature, the Directors consider that equity financing serves as a cost effective means of capital raising for the Group as general working capital and to fund investments and/or project developments opportunities that may be identified in the future. In addition, the Directors are of the view that equity financing has merits over debt financing to fund its capital needs as the former could broaden the Shareholder base of the Company without creating any interest cost on the Company. Given the fact that the Existing Issue Mandate has been substantially utilized upon completion of the Placing, we are of the view that it is in the interests of the Company and the Shareholders as a whole to approve the granting of the Refreshed Issue Mandate in order to strengthen the flexibility of raising additional equity capital so as to procure every potential business and/or investment opportunity.

4. Other financing alternatives

Save for the Placing, the Second Placing and the CN Placing as disclosed in the August Announcement, the Company has no other equity fund raising activity for the 12 months immediately preceding the Latest Practicable Date.

Other than raising funds by way of issuing equity capital, the Directors indicate that the Company will consider other financing methods such as bank financing, debt financing and funding through internal resources, in order to meet its financing requirements arising from future development of the Group, depending on the then financial position, capital structure and cost of funding of the Group as well as the then market condition. As such, the Refreshed Issue Mandate will serve as one of the alternatives for the Company to finance the Group's investment and the Directors will use the method that serves the best interests of the Group.

We therefore consider that it is a sensible consideration to make reference to the then financial position, capital structure and cost and timing of funding of the Group as well as the then market condition in order to decide a suitable financing method for the future investment of the Group. Notwithstanding this, the Directors have confirmed that they would exercise due and careful consideration, including but not limited to, the cost and timing of funding, when choosing the best method of financing for the Group.

As stated in the Letter from the Board, save for the allotment and issue of the Conversion Shares upon exercise of the conversion right attaching to the Convertible Notes, the Directors have no intention or plan for raising capital by the issue of new securities of the Company as at the Latest Practicable Date.

LETTER FROM OPTIMA CAPITAL

5. Potential dilution effect to the shareholding of the Shareholders

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and upon full utilization of the Refreshed Issue Mandate (assuming no other Shares are issued or repurchased by the Company).

Shareholders	As at the Latest Practicable Date		Upon full utilization of the Refreshed Issue Mandate (assuming no other Shares are issued or repurchased by the Company)	
	Shares	%	Shares	%
Nation Field Limited (<i>Note 1</i>)	125,782,321	6.20%	125,782,321	5.17%
Fan Guoping (<i>Note 2</i>)	380,910,000	18.78%	380,910,000	15.64%
Yeung Bo Lin (<i>Note 3</i>)	606,060,000	29.87%	606,060,000	24.89%
Public	916,045,222	45.15%	916,045,222	37.63%
Share to be issued under the Refreshed Issue Mandate	0	0%	405,759,508	16.67%
	<u>2,028,797,543</u>	<u>100.00%</u>	<u>2,434,557,051</u>	<u>100.00%</u>

Notes:

1. Nation Field Limited is wholly owned by Mr. Gao Yang, a former executive Director of the Company.
2. Fan Guoping is a placee under the Second Placing and the CN Placing. As referred to in the announcement of the Company dated 8 January 2008 in relation to, among others, the completion of the Second Placing and the CN Placing (the "Completion Announcement"). Fan Guoping confirmed that he and his concert parties do not hold 30% or more of the voting right of the Company after completion of the Second Placing.
3. Yeung Bolin is a placee under the Second Placing. As referred to in the Completion Announcement, Yeung Bolin confirmed that she and her concert parties do not hold 30% or more of the voting right of the Company after completion of the Second Placing.

Assuming that no other Shares will be issued or repurchased whatsoever between the Latest Practicable Date and the date of the EGM, upon full utilization of the Refreshed Issue Mandate, a total of 405,759,508 new Shares will be issued, representing approximately 16.67% of the total issued share capital of the Company as enlarged. Assuming full utilization of the Refreshed Issue Mandate, the aggregate shareholdings of the existing public Shareholders will be diluted from approximately 45.15% to approximately 37.63%. Taking into account the benefits of the grant of Refreshed Issue Mandate as discussed above, including inter alia, to provide the Company with the flexibility and the ability to capture any future investments or business opportunities when opportunities arise, and considering that the shareholdings of all Shareholders will be diluted proportionately, we consider such dilution or potential dilution effect to the shareholdings of the Shareholders to be acceptable.

LETTER FROM OPTIMA CAPITAL

Shareholders should note that upon the approval of the Refreshment of General Mandate at the EGM, the Refreshed Issue Mandate will, if granted, remain effective until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held by law or the Articles; and (iii) the revocation or variation by an ordinary resolution of the Shareholders in general meeting.

RECOMMENDATION

Having taken into account the principal factors and reasons as discussed above, we consider that the terms of the Refreshment of General Mandate are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and also advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM for approving the Refreshment of General Mandate.

Yours faithfully,
For and on behalf of
Optima Capital Limited
Gary Mui
Executive Director
Head of Corporate Finance

NOTICE OF EXTRAORDINARY GENERAL MEETING



CHINA STRATEGIC HOLDINGS LIMITED

(中策集團有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code : 235)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Strategic Holdings Limited (the “**Company**”) will be held at Plaza IV, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Tuesday, 11 March 2008 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without modification the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the general mandate granted to the directors of the Company (the “**Directors**”) to exercise the power of the Company to allot, issue and deal with shares of the Company pursuant to ordinary resolution No. 4.A. passed by the shareholders of the Company at its annual general meeting held on 6 June 2007 to the extent not exercised by the Directors, be and is hereby revoked provided that any exercise of powers of the Company to allot and issue shares in the capital of the Company prior to the passing of this resolution shall not in any way be affected or prejudiced;
- (b) subject to paragraph (d) of this resolution and pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreement and options (including bonds, warrants, debentures and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (b) above, otherwise than (i) a Right Issue (as hereinafter defined) or (ii) the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes or other securities issued by the Company which carry rights to subscribe for or are convertible into shares of the Company or (iii) an issue of shares under any share option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries or any other eligible person(s) of shares or right to acquire shares of the Company, or (iv) an issue of shares as scrip dividend pursuant to the articles of association of the Company, from time to time shall not exceed 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (e) for the purposes of this resolution, “**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; and
 - (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company; and

“**Rights Issue**” means an offer of shares or issue of options, warrants or other securities giving the right to subscribe for shares of the Company open for a period fixed by the Directors to holders of shares of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on the register on a fixed record date in proportion to their then holders of such shares of the Company (or, where appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

2. “**THAT** the existing scheme mandate limit in respect of the granting of options to subscribe for shares of the Company under the share option scheme adopted by the Company on 4 June 2002 (the “**Scheme**”) and any other share option schemes of the Company be refreshed and renewed provided that the total number of shares which may be allotted and issued upon exercise of the options to be granted under the Scheme and any other share option schemes of the Company

NOTICE OF EXTRAORDINARY GENERAL MEETING

(excluding options previously granted, outstanding, cancelled, lapsed or exercised in accordance with the Scheme and any other share option schemes of the Company) shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution (the “**Refreshed Limit**”) and subject to the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the shares of the Company to be issued pursuant to the exercise of any options to be granted under the Refreshed Limit and in compliance with the Rules Governing the Listing of Securities on the Stock Exchange, the Directors be and are hereby authorized, at their absolute discretion, to grant options and to allot and issue shares of the Company pursuant to the exercise of any such options up to the Refreshed Limit.”

By order of the Board
China Strategic Holdings Limited
Chow Kam Wah
Director

Hong Kong, 18 February 2008

Notes:

1. A shareholder entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote on his behalf. The proxy needs not be a shareholder of the Company.
2. In order to be valid, a form of proxy must be deposited at the share registrar and transfer office of the Company, Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting.
3. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.