



# CHINA STRATEGIC HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

Stock code: 235

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

The board of directors of China Strategic Holdings Limited (the “Company”) is pleased to announce that the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2007 together with comparative figures as follows:–

### CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	NOTES	Six months ended 30th June, 2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
<b>Continuing operations</b>			
Revenue	3	25,317	16,326
Cost of sales		<u>(19,968)</u>	<u>(12,408)</u>
Gross profit		5,349	3,918
Other income	4	47,635	24,894
Distribution costs		(1,675)	(966)
Administrative expenses		(11,172)	(15,145)
Impairment loss recognised in respect of goodwill		(25,807)	(4,561)
Other expenses	5	(190)	(13,914)
Finance costs		(3,768)	(7,114)
Gain on disposal of interest in an associate		—	17,180
Loss on dilution of interest in an associate		—	(65,762)
Share of results of associates		<u>—</u>	<u>16,681</u>
Profit (loss) before taxation	6	10,372	(44,789)
Taxation	7	<u>(860)</u>	<u>3</u>
Profit (loss) for the period from continuing operations		9,512	(44,786)

**CONDENSED CONSOLIDATED INCOME STATEMENT** *(Continued)*  
**FOR THE SIX MONTHS ENDED 30TH JUNE, 2007**

	<i>NOTE</i>	<b>Six months ended 30th June,</b> <b>2007</b> <b>HK\$'000</b> <b>(unaudited)</b>	<b>2006</b> <b>HK\$'000</b> <b>(unaudited)</b>
<b>Discontinued operation</b>			
Profit (loss) for the period from discontinued operation		—	(9,818)
Profit (loss) for the period		<u>9,512</u>	<u>(54,604)</u>
Attributable to:			
Equity holders of the parent		9,512	(33,801)
Minority interests		—	(20,803)
		<u>9,512</u>	<u>(54,604)</u>
Dividend		—	1,179,307
		<i>HK cents</i>	<i>HK cents</i>
Earnings (loss) per share	8		
From continuing and discontinued operations:			
— Basic		<u>2.2</u>	<u>(7.7)</u>
— Diluted		<u>N/A</u>	<u>N/A</u>
From continuing operations:			
— Basic		<u>2.2</u>	<u>(5.5)</u>
— Diluted		<u>N/A</u>	<u>N/A</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**

AT 30TH JUNE, 2007

	NOTES	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
<b>Non-Current Assets</b>			
Property, plant and equipment		63,446	46,982
Prepaid lease payments		27,419	27,425
Goodwill		—	25,807
Interest in an associate		—	—
Club debentures		825	825
Available-for-sale investments		18,691	60,127
		<u>110,381</u>	<u>161,166</u>
<b>Current Assets</b>			
Inventories		20,697	18,954
Trade receivables	9	7,914	7,825
Prepaid lease payments		632	626
Amount due from an associate		7,089	6,514
Loans and interest receivables		26,690	25,761
Other receivables, deposits and prepayments		4,643	4,888
Tax reserve certificates paid		—	5,916
Available-for-sale investments		32,666	17,770
Investments held for trading		2,820	8,115
Pledged bank deposits		1,094	1,078
Bank balances and cash		56,119	8,992
		<u>160,364</u>	<u>106,439</u>
<b>Current Liabilities</b>			
Trade payables, other payables and accrued charges	10	19,803	23,685
Obligations under finance leases		26	—
Amount due to an associate		5,795	—
Amounts due to related companies		26,354	4,128
Loan payables		60,986	58,568
Income tax payable		—	6,916
Bank overdrafts		—	23
Bank borrowings		13,723	12,889
		<u>126,687</u>	<u>106,209</u>
Net Current Assets		<u>33,677</u>	<u>230</u>
		<u>144,058</u>	<u>161,396</u>

**CONDENSED CONSOLIDATED BALANCE SHEET (Continued)**

AT 30TH JUNE, 2007

	<b>30.6.2007</b> <i>HK\$'000</i> <i>(unaudited)</i>	31.12.2006 <i>HK\$'000</i> <i>(audited)</i>
Capital and Reserves		
Share capital	<b>44,080</b>	44,080
Reserves	<b>99,644</b>	106,751
	<hr/>	<hr/>
Equity attributable to equity holders of the parent	<b>143,724</b>	150,831
Minority interests	<b>262</b>	262
	<hr/>	<hr/>
Total Equity	<b>143,986</b>	151,093
	<hr/>	<hr/>
Non-Current Liabilities		
Obligations under finance leases	<b>72</b>	—
Amount due to an associate	—	4,993
Amount due to a related company	—	5,310
	<hr/>	<hr/>
	<b>72</b>	10,303
	<hr/>	<hr/>
	<b>144,058</b>	161,396
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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*FOR THE SIX MONTHS ENDED 30TH JUNE, 2007*

**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, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group for the year ended 31st December, 2006.

In the current interim period, the Group has applied, for the first time, a new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1st January, 2007.

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

The Group has not early applied all the new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

**3. SEGMENT INFORMATION**

During the period 30th June, 2006, the Company carried out a group reorganisation which resulted in discontinuance of sand mining business.

## Business segments

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

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

	<b>Continuing operations</b>			<b>Discontinued operation</b>		
	<b>Investments in securities and advance HK\$'000</b>	<b>Battery products HK\$'000</b>	<b>Others HK\$'000</b>	<b>Sub-total HK\$'000</b>	<b>Sand mining HK\$'000</b>	<b>Consolidated HK\$'000</b>
Six months ended 30th June, 2006						
<b>REVENUE</b>						
External sales	<u>—</u>	<u>16,326</u>	<u>—</u>	<u>16,326</u>	<u>2,726</u>	<u>19,052</u>
<b>RESULT</b>						
Segment result	<u>5,612</u>	<u>(1,498)</u>	<u>(1,548)</u>	2,566	(9,818)	(7,252)
Unallocated corporate expenses				(8,340)	—	(8,340)
Gain on disposal of interest in an associate	—	—	17,180	17,180	—	17,180
Loss on dilution of interest in an associate	—	—	(65,762)	(65,762)	—	(65,762)
Share of results of associates	—	—	16,681	16,681	—	16,681
Finance costs				(7,114)	—	(7,114)
Loss before taxation				(44,789)	(9,818)	(54,607)
Taxation				3	—	3
Loss for the period				<u>(44,786)</u>	<u>(9,818)</u>	<u>(54,604)</u>

#### 4. OTHER INCOME

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended 30th June,					
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	1,884	22,819	—	—	1,884	22,819
Dividend income from available-for-sale investments	606	687	—	—	606	687
Exchange gain	558	388	—	—	558	388
Changes in fair value on investments held for trading	1,911	23	—	—	1,911	23
Gain on disposal of available-for-sale investments	39,577	—	—	—	39,577	—
Gain on disposal of investments held for trading	2,474	—	—	—	2,474	—
Others	625	977	—	97	625	1,074
	<b>47,635</b>	<b>24,894</b>	<b>—</b>	<b>97</b>	<b>47,635</b>	<b>24,991</b>

#### 5. OTHER EXPENSES

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended 30th June,					
	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Allowances for loans and interest receivables	190	6,282	—	—	190	6,282
Allowances for other receivables	—	5,372	—	—	—	5,372
Impairment loss on available-for-sale investments	—	2,260	—	—	—	2,260
	<b>190</b>	<b>13,914</b>	<b>—</b>	<b>—</b>	<b>190</b>	<b>13,914</b>

## 6. PROFIT (LOSS) BEFORE TAXATION

Profit (loss) before taxation has been arrived at after charging the following items:

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended 30th June,					
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Amortisation of prepaid lease payments	151	296	—	—	151	296
Depreciation of property, plant and equipment	1,116	1,047	—	4,452	1,116	5,499
Impairment loss recognised in respect of goodwill	25,807	—	—	4,561	25,807	4,561

## 7. TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	Six months ended 30th June,					
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong Profits Tax						
— Underprovision in prior periods	860	—	—	—	860	—
Taxation in other jurisdiction						
— Current period	—	(3)	—	—	—	(3)
	<u>860</u>	<u>(3)</u>	<u>—</u>	<u>—</u>	<u>860</u>	<u>(3)</u>
Taxation attributable to the Company and its subsidiaries	<u>860</u>	<u>(3)</u>	<u>—</u>	<u>—</u>	<u>860</u>	<u>(3)</u>

The charge (credit) comprises:

Hong Kong Profits Tax

— Underprovision in prior periods

Taxation in other jurisdiction

— Current period

Taxation attributable to the Company and its subsidiaries

The tax charge for the period represents the underprovision of taxation for the years of assessment of 1998/1999, 2002/2003 and 2003/2004, in which the related tax assessments were finally agreed with the Inland Revenue Department.

No provision for taxation has been made as the Group has incurred tax losses for both periods.

Pursuant to the relevant laws and regulations in the People's Republic of China ("PRC"), certain PRC subsidiaries of the Company are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years.

The Group has no significant unrecognised deferred taxation at reporting dates or during both periods.



## 8. EARNINGS (LOSS) PER SHARE

### From continuing and discontinued operations

The calculation of the basic earnings (loss) per share attributable to the equity holders of the parent for the period is based on the following data:

	<b>Six months ended 30th June,</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Earnings (loss):		
Earnings (loss) for the purpose of basic earnings (loss) per share (earnings (loss) for the period attributable to the equity holders of the parent)	<u>9,512</u>	<u>(33,801)</u>
	<b>2007</b>	<b>2006</b>
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<u>440,797,543</u>	<u>440,797,543</u>

### From continuing operations

The calculation of the basic earnings (loss) per share from continuing operations attributable to the equity holders of the parent for the period is based on the following data:

	<b>Six months ended 30th June,</b>	
	<b>2007</b>	<b>2006</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Earnings (loss):		
Earnings (loss) for the period attributable to the equity holders of the parent	9,512	(33,801)
Less: Loss for the period from discontinued operation attributable to the equity holders of the parent	<u>—</u>	<u>9,480</u>
Earnings (loss) for the purpose of basic earnings (loss) per share from continuing operations	<u>9,512</u>	<u>(24,321)</u>

No diluted earnings (loss) per share has been presented for both periods as there were no dilutive potential ordinary shares in issue.

### From discontinued operation

For the six months ended 30th June, 2006, basic loss per share for discontinued operation was HK\$0.02 per share, based on the loss for the period from the discontinued operation attributable to the equity holders of the parent of HK\$9,480,000 and the denominators detailed above for basic loss per share.

## 9. TRADE RECEIVABLES

	<b>30.6.2007</b> <i>HK\$'000</i>	31.12.2006 <i>HK\$'000</i>
Trade receivables	<b>8,895</b>	8,806
Less: Accumulated impairment	<b>(981)</b>	(981)
	<u><b>7,914</b></u>	<u>7,825</u>

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:

	<b>30.6.2007</b> <i>HK\$'000</i>	31.12.2006 <i>HK\$'000</i>
0 — 90 days	<b>6,999</b>	7,067
91 — 180 days	<b>915</b>	620
Over 180 days	<b>—</b>	138
	<u><b>7,914</b></u>	<u>7,825</u>

## 10. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

At 30th June, 2007, included in trade payables, other payables and accrued charges are trade payables of approximately HK\$5,702,000 (31.12.2006: HK\$5,501,000) with the following aged analysis at the balance sheet date:

	<b>30.6.2007</b> <i>HK\$'000</i>	31.12.2006 <i>HK\$'000</i>
0 — 90 days	<b>4,034</b>	3,836
91 — 180 days	<b>912</b>	1,025
Over 180 days	<b>756</b>	640
	<u><b>5,702</b></u>	<u>5,501</u>

## **INTERIM DIVIDEND**

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2007 (2006: Nil).

However, pursuant to the group reorganisation, shares in Group Dragon Investments Limited (“GDI”), were distributed as dividend in specie to the shareholders of the Company on the basis of one GDI share for every share in the Company after the capital reorganisation. The amount of dividend in specie, approximately HK\$1,179,307,000, representing the net assets value of GDI, was distributed on 19th May, 2006 which is the completion date of the group reorganisation.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **ANALYSIS OF THE GROUP’S PERFORMANCE**

The revenue of the Group for the six months ended 30th June, 2007 totaled HK\$25.3 million, representing significant increase of 55.21% from HK\$16.3 million for the same period in 2006. The revenue for the period was generated from the manufacturing and trading of batteries products. With the blessings of a strong Mainland economy, demand for batteries products posted strong growth leading to significant increase in the revenue of the Group. Heading into the second half of 2007, the Group will continue to implement cost efficiency policy and strengthen sales by additional advertising campaigns.

The unaudited consolidated profit attributable to equity holders of the parent for the six months ended 30th June, 2007 amounted to HK\$9.5 million as compared to the loss of approximately HK\$33.8 million for the same period in 2006. The notable turnaround in performance was noted in the increase in other income resulted from the gain on disposal of investment in securities, a lower allowance for loans and interest receivables and there was no loss on dilution of interest in an associate in the current period.

### **LIQUIDITY AND FINANCIAL RESOURCES**

During the first half of fiscal 2007, the Group financed its operations mainly through cash generated from its business activities and banking facilities provided by its principal bankers as well as proceeds from disposal of securities. As at 30th June, 2007, the Group had working capital calculated by current assets less current liabilities of approximately HK\$33.7 million and the current ratio increased to 1.27, compared with working capital of approximately HK\$0.2 million and current ratio of 1.00 as at 31st December, 2006.

In the first half of fiscal 2007, the net cash used in operating activities was approximately HK\$3.8 million compared with HK\$7.8 million generated by operating activities in the same period of 2006. The net cash generated by investing activities and financing activities in the first half of fiscal 2007 was approximately HK\$34.9 million and HK\$13.8 million respectively compared with approximately HK\$134.0 million of net cash used in investing activities and HK\$9.3 million of net cash generated by financing activities in the same period of 2006.

The Group's bank borrowings slightly increased from approximately HK\$12.9 million as at 31st December, 2006 to approximately HK\$13.7 million as at 30th June, 2007, representing an increase of 6.2%. There were no long-term bank loans and other borrowings as at 30th June, 2007 and 31st December, 2006. Gearing ratio which is expressed as a ratio of total long-term liabilities and other borrowings to the shareholders' funds remains nil as at 30th June, 2007 and 31st December, 2006. As at 30th June, 2007, the Group's total borrowings of approximately HK\$13.7 million were mainly denominated in Hong Kong dollars and Renminbi, the maturity profile were all within one year, and bear interest at fixed rates. Non- Hong Kong dollars denominated loans are directly related to the Group's businesses in the countries of the currencies concerned.

Capital expenditure aggregated to approximately HK\$15.6 million for the six months ended 30th June, 2007 and was used primarily for purchasing of property, plant and equipment. The Group's capital expenditures is expected to be funded primarily by either internal resources, external borrowings or raising of fund or a combination of both as required.

Cash and bank balances amounted to approximately HK\$57.2 million as at 30th June, 2007, and is mainly denominated in Hong Kong dollars. During the six months ended 30th June, 2007, 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 exchange contracts, currency swaps or other financial derivatives.

## **SIGNIFICANT INVESTMENT**

### **Super Energy Group Limited**

Super Energy Group Limited ('Super Energy') is principally engaged in the production and sales of batteries and battery-related accessories. Its major products are the primary battery and the re-chargeable battery. Super Energy is also actively engaged in new product development by introducing the latest technology into its products. Over the past years, Super Energy has managed research and development delicately towards creating advanced manufacturing technologies in order to enhance the quality of the batteries. The excellent research and development capabilities and stringent quality control have also enabled it to become an original equipment manufacturer with solid and reputable track record. Super Energy provides full range of batteries free of mercury and cadmium and proud to present its invention of "No Mercury Button Cell Battery" and "Lithium-Ion Battery" that represent high quality, high capacity and advance technology.

Adhered to its sound operations strategy of "Enhancing Quality of Management", all Super Energy's batteries have been manufactured in compliance with the standards of International Organisation for Standardisation 9001 since 2004.

The new factory which occupies the area of over 110,000 square meters is close to completion. The new factory will be equipped with advanced machineries based on the best combination of Japanese and European technologies and facilities. Direct and onsite supervision from our technical experts will ensure the highest quality and efficiency are achieved.

In the first half of 2007, the economy of Mainland China remained robust and healthy, leading to a strong growth in the demand for the battery products in China. For the remainder of fiscal year of 2007, we aspire to achieving further growth in revenue by additional advertising campaigns and plan to rapidly expand new production to meet with the increasing customer demand. The management strives to support further growth by devoting additional resources to operational efficiencies, customer satisfaction, capacity planning, and employee development. Operational performance is one of our highest priorities, as it is the delivery of superior products and quality service that customers expect from our Group.

## **PROSPECTS**

With the policy objective of maintaining a stable growth in China, the PRC government has taken stabilization measures aiming to moderate investment growth since 2004. Besides raising the deposit reserve requirement ratio of banks and rectifying the land market, the People's Bank of China ("PBOC") also raised the lending and deposit rates on 29th October, 2004. However, China's economy remains strong and in the first half of 2007, real GDP grew by a remarkable 11.5%. (Source: <http://www.ec.ch/article/bizaews/headlines>).

On 29th June, 2007, Hong Kong announced the Supplement IV to the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). Under the Supplement, the Mainland will introduce 40 liberalization measures in 28 services area, including 11 new services areas, benefiting an extensive range of Hong Kong businesses. (Source: *Hong Kong Trade Development Council, Census & Statistics Department of the Hong Kong SAR Government*). The Group foresees enormous opportunities will continue to arise from China's rapidly growing economy, high growth rate of capital investments from both foreign and domestic fundings and a resultant upsurge in consumer spending. With a solid foundation in Hong Kong while maintaining an undeterred focus on the PRC market, we believe the Group is in a better position to leverage on its extensive experiences and valuable networks in the Hong Kong and the PRC market to capture those opportunities and thereby achieving further growth and success.

On 23rd August, 2007, the Company entered into a placing agreement with Kingston Securities Limited ("Kingston"), pursuant to which, Kingston agreed to place, (i) 88,000,000 shares at HK\$0.33 per share (the "First Share Placing") on a fully underwritten basis; (ii) 1,500,000,000 shares at HK\$0.33 per share (the "Second Share Placing") on a best effort basis; (iii) a maximum aggregate principal amount of HK\$1,320,000,000 (the "Convertible Notes Placing Agreement") on a best effort basis. The various placements, which if completed, are expected to raise maximum net proceeds of approximately 2,779.70 million. This will further strengthen the Group's capital and shareholders base thereby enabling it to better capture any potential opportunities once and when they arise.

Albeit the favourable economic outlooks, the Group also acknowledges the economic challenges ahead that might come from the domestic and international level. The Group will therefore maintain a prudent and vigilant attitude when assessing any potential investment or acquisition opportunities. Also as part of our risk management philosophy, the Group will aim to gradually diversify its businesses and investments so as to maintain a more balanced and healthy portfolio.

## **NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME**

As at 30th June, 2007, the Group employed approximately 557 staff. Remuneration packages comprised of salary and year end bonus based on individual merits.

No share options were granted or exercised during the six months ended 30th June, 2007.

## COMMITMENTS

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

	<b>30.6.2007</b> <i>HK\$'000</i>	31.12.2006 <i>HK\$'000</i>
Contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	<b>27,340</b>	14,562
Authorised but not contracted for in respect of acquisition of property, plant and equipment	<b>15,000</b>	20,000
	<b>42,340</b>	34,562

## PLEDGE OF ASSETS

- (a) At 30th June, 2007, bank deposits of approximately HK\$1,094,000 (31.12.2006: HK\$1,078,000) were pledged to banks to secure credit facilities granted to the Group.
- (b) At 30th June, 2007, available-for-sale investments and investments held for trading with a carrying value of approximately HK\$36,043,000 (31.12.2006: HK\$64,476,000) and HK\$675,000 (31.12.2006: HK\$309,000) respectively were pledged to secure margin account credit facilities and banking facilities granted to the Group. As at 30th June, 2007 and 31st December, 2006, no margin loan facility was utilised by the Group.
- (c) At 30th June, 2007, prepaid lease payment with a carrying value of approximately HK\$8,902,000 (31.12.2006: HK\$8,678,000) was pledged to secure short-term bank loan granted to the Group.

## POST BALANCE SHEET EVENTS

On 23rd August, 2007, the Company entered into share placing agreements with the placing agent (i) for the placement of 88,000,000 new shares of the Company at HK\$0.1 each at placing price of HK\$0.33 per share; and (ii) for the placement of a further maximum 1,500,000,000 new shares of the Company at HK\$0.1 each at placing price of HK\$0.33 per share.

On 23rd August, 2007, the Company entered into convertible notes placing agreement with the placing agent for the placement of a maximum aggregate principal amount of HK\$1,320,000,000. The convertible notes will be non-interest bearing and with maturity date of 31st December, 2010. The conversion price, subject to the adjustment, shall be HK\$0.33 per share from the date of issue of the convertible notes 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.

Details of these placements were disclosed on the announcement dated 30th August, 2007 and the transaction have not yet completed at the date of this report.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

There was no purchase, sale or redemption of the listed securities of the Company by the Company or its subsidiaries during the period.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code as provided in Appendix 10 of the Listing Rules.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

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 six months ended 30th June, 2007, except for the following deviations:

1. 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 and subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company.
2. 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 annual general meeting held on 6th June, 2007 as he had another engagement that was important to the business of the Company.

## **AUDIT COMMITTEE**

The audit committee of the Company comprises Mr. Wong King Lam, Joseph, Mr. Sin Chi Fai and Mr. Chan Sek Nin, Jackey who are independent non-executive directors. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim financial report for the six months ended 30th June, 2007.

## **PUBLICATION OF INTERIM REPORT**

This announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkex.com.hk>) and the Company (<http://www.cshgroup.com>).

The 2007 Interim Report of the Company will be dispatched to the shareholders of the Company as well as published on the aforesaid websites in due course.

## **BOARD OF DIRECTORS**

As at the date of this announcement, the board of directors of the Company comprises Mr. Gao Yang, Mr. Kwok Ka Lap, Alva, Ms. Chan Ling, Eva, Mr. Chow Kam Wah, Mr. Lee Sun Man as executive directors, and Mr. Wong King Lam, Joseph, Mr. Sin Chi Fai and Mr. Chan Sek Nin, Jackey as independent non-executive directors.

By order of the board  
**Kwok Ka Lap, Alva**  
*Director*

Hong Kong, 13th September, 2007