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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of China Strategic Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2012 together with the comparative figures for the corresponding period in 2011 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

	<i>NOTES</i>	Six months ended 30th June,	
		2012	2011
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Revenue	3	2,327	6,730
Cost of sales		(2,213)	(6,308)
Gross profit		114	422
Other income	4	6,170	6,182
Selling and distribution costs		(106)	(130)
Administrative expenses		(18,505)	(26,259)
(Loss) gain on financial assets at fair value through profit or loss		(2,611)	18,753
Finance costs	5	(2,599)	(2,615)
Loss for the period	7	(17,537)	(3,647)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Con't)
FOR THE SIX MONTHS ENDED 30TH JUNE, 2012**

	<i>NOTE</i>	Six months ended 30th June, 2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)
Other comprehensive (expense) income			
Exchange differences arising on translation of foreign operations		(374)	630
Fair value changes on available-for-sale investments		(307)	510
		<hr/>	<hr/>
Other comprehensive (expense) income for the period		(681)	1,140
		<hr/>	<hr/>
Total comprehensive expense for the period		(18,218)	(2,507)
		<hr/>	<hr/>
Loss for the period attributable to:			
Owners of the Company		(17,481)	(3,647)
Non-controlling interests		(56)	—
		<hr/>	<hr/>
		(17,537)	(3,647)
		<hr/>	<hr/>
Total comprehensive expense attributable to:			
Owners of the Company		(18,162)	(2,507)
Non-controlling interests		(56)	—
		<hr/>	<hr/>
		(18,218)	(2,507)
		<hr/>	<hr/>
Loss per share			
Basic and diluted	9	HK(0.47) cent	HK(0.10) cent
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2012**

	<i>NOTES</i>	30.6.2012 <i>HK\$'000</i> (Unaudited)	31.12.2011 <i>HK\$'000</i> (Audited)
Non-Current Assets			
Property, plant and equipment		13,697	15,063
Prepaid lease payments		12,333	12,600
Club debentures		825	825
Available-for-sale investments		1,302	1,609
		<hr/> 28,157 <hr/>	<hr/> 30,097 <hr/>
Current Assets			
Inventories		2,643	1,954
Trade and other receivables	10	11,966	9,435
Prepaid lease payments		334	334
Financial assets at fair value through profit or loss		195,366	166,997
Bank balances and cash		585,399	630,609
		<hr/> 795,708 <hr/>	<hr/> 809,329 <hr/>
Current Liabilities			
Trade and other payables	11	19,744	19,390
Loan payables	12	99,263	96,960
Income tax payable		6,964	6,964
		<hr/> 125,971 <hr/>	<hr/> 123,314 <hr/>
Net Current Assets		<hr/> 669,737 <hr/>	<hr/> 686,015 <hr/>
Total Assets less Current Liabilities		<hr/> 697,894 <hr/>	<hr/> 716,112 <hr/>
Capital and Reserves			
Share capital		369,918	369,918
Reserves		328,150	346,312
		<hr/> 698,068 <hr/>	<hr/> 716,230 <hr/>
Equity attributable to the owners of the Company		698,068	716,230
Non-controlling interests		(174)	(118)
Total Equity		<hr/> 697,894 <hr/>	<hr/> 716,112 <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

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*.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants “HKICPA”:

Amendments to HKFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Con' t)

The Group has not early applied revised standards that have been issued but are not yet effective. The following amendments to HKFRSs have been issued after the date the consolidated financial statements for the year ended 31st December, 2011 were authorised for issuance and are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle ¹
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹

¹ Effective for annual periods beginning on or after 1st January, 2013.

The directors of the Company anticipate that the application of these two amendments will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments for the period under review:

	Investments in securities <i>HK\$'000</i> (Unaudited)	Battery products <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
Six months ended 30th June, 2012			
REVENUE			
External sales	—	2,327	2,327
RESULT			
Segment result	2,422	(3,330)	(908)
Other income			1,008
Central administrative costs			(15,038)
Finance costs			(2,599)
Loss for the period			(17,537)
Six months ended 30th June, 2011			
REVENUE			
External sales	—	6,730	6,730
RESULT			
Segment result	22,340	(7,912)	14,428
Other income			357
Central administrative costs			(15,817)
Finance costs			(2,615)
Loss for the period			(3,647)

Segment profit (loss) represents profit (loss) earned/incurred by each segment without allocation of certain other income, central administrative costs and finance costs. This is the measure reported to the chief operation decision makers for the purpose of resource allocation and performance assessment.

4. OTHER INCOME

	Six months ended 30 th June,	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Dividend income from financial assets at fair value through profit or loss/available-for-sale investments	2,572	2,802
Interest income	3,503	1,200
Exchange gain, net	—	34
Reversal of allowance for inventories (Note)	—	2,063
Others	95	83
	<u>6,170</u>	<u>6,182</u>

Note: During the six months ended 30th June, 2011, a significant portion of inventories for which allowance previously made were sold. As a result, a reversal of allowance for inventories of approximately HK\$2,063,000 has been recognised. No allowance was made for inventories during the six months ended 30th June, 2012.

5. FINANCE COSTS

	Six months ended 30 th June,	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on borrowings wholly repayable within five years:		
– loan payables	2,555	2,165
– bank borrowings and overdrafts	44	448
– obligation under finance leases	—	2
	<u>2,599</u>	<u>2,615</u>

6. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax and The People's Republic of China Enterprise Income Tax has been made in the condensed consolidated financial statements for both periods, since the Group entities either incurred tax losses or estimated assessable profits which are wholly absorbed by tax losses brought forward.

7. LOSS FOR THE PERIOD

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

	Six months ended 30th June,	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of prepaid lease payments	169	167
Depreciation of property, plant and equipment	1,178	2,279

8. DIVIDEND

No dividend were paid, declared or proposed during the six months ended 30th June, 2012. The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2012 (2011: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the loss for the period attributable to the owners of the Company of approximately HK\$17,481,000 (2011: HK\$3,647,000) and the number of 3,699,183,927 (2011: 3,699,183,927) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 30th June, 2012 and 2011 does not include adjustments for the Company's outstanding share options as they have anti-dilutive effect.

10. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period normally ranging from 90 days to 180 days to its trade customers. The aged analysis based on the invoice date of the trade receivable indicated that the Group's trade receivable of approximately HK\$1,422,000 (31st December, 2011: HK\$921,000) at the reporting date all is aged within 90 days.

Included in the other receivables is an amount of approximately HK\$1,176,000 (31st December, 2011: HK\$1,120,000) placed with securities brokers for trading securities in Hong Kong, which is unsecured, interest-free and repayable on demand.

The remaining balance of other receivables is unsecured, interest-free and repayable on demand.

11. TRADE AND OTHER PAYABLES

As at 30th June, 2012, included in trade and other payables are trade payable of approximately HK\$4,060,000 (31st December, 2011: HK\$1,857,000). The following is an analysis of trade payable by age, presented based on invoice date.

	30.6.2012 HK\$'000 (Unaudited)	31.12.2011 HK\$'000 (Audited)
0 - 90 days	3,645	547
91 - 180 days	—	559
Over 180 days	415	751
	<hr/> 4,060 <hr/>	<hr/> 1,857 <hr/>

12. LOAN PAYABLES

The loan payables are unsecured, carry interest at 6.6% to 7.0% per annum (2011: 6.6% to 7.0% per annum) and are repayable on demand.

13. PLEDGE OF ASSETS

As at 30th June, 2012, available-for-sale investments and financial assets at fair value through profit or loss with a carrying value of approximately HK\$784,000 (31st December, 2011: HK\$956,000) and HK\$1,977,000 (31st December, 2011: HK\$2,532,000) respectively were pledged to secure margin account credit facilities granted to the Group. As at 30th June, 2012, a margin loan of approximately HK\$1,098,000 (31st December, 2011: HK\$1,053,000), included in trade and other payables, was utilised by the Group and there is no restriction on trading of these available-for-sale investments and financial assets at fair value through profit or loss.

MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, on account of the increasing operating costs and faltering global economy, the Group recorded the consolidated revenue from manufacturing and trading of battery products decreased by HK\$4.40 million to HK\$2.33 million when compared with the six months ended 30th June, 2011. On the other hand, the Group recorded a loss on financial assets at fair value through profit or loss of approximately HK\$2.61 million for the six months ended 30th June, 2012 as compared to a gain on financial assets at fair value through profit or loss of approximately HK\$18.75 million for the correspondence six months ended 30th June, 2011 as the result of the unstable global economic and investment market conditions. When compared with the correspondence six months ended 30th June 2011, the interest income was increased by HK\$2.30 million to HK\$3.50 million. The finance costs, mainly from interests on loan payables and bank borrowings for the six months ended 30th June 2012, was slightly decreased by 1% to HK\$2.60 million. Overall, net loss for the six months ended 30th June, 2012 was HK\$17.54 million as compared to HK\$3.65 million for the six months ended 30th June, 2011.

The Group's bank and other borrowings slightly increased from approximately HK\$96.96 million as at 31st December 2011 to approximately HK\$99.26 million as at 30th June, 2012, representing an increase of 2.37%. As at 30th June, 2012, bank and other borrowings were variable rate loans and were denominated in Renminbi and Hong Kong dollars. There were no long-term borrowings outstanding. The gearing ratio was approximately 0.18 (31st December, 2011: 0.17) calculated by the total liabilities of HK\$125.97 million (31st December, 2011: HK\$123.31 million) divided by total equity of HK\$697.89 million (31st December, 2011: HK\$716.11 million).

There was no significant capital expenditure incurred for the six months ended 30th June, 2012. Future capital expenditure will be continued to be funded primarily by internal resources or external borrowings or a combination of both as required.

MANAGEMENT DISCUSSION AND ANALYSIS (Con't)

As at 30th June, 2012, the Group had cash and bank balances amounted to approximately of HK\$585.40 million and is mainly denominated in Hong Kong dollars. Financial assets at fair value through profit or loss were in an amount of HK\$195.37 million. As at 30th June, 2012, there was no pledged bank deposit. During the six months ended 30th June, 2012, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. As a result, the Group did not enter into any material foreign contracts, currency swaps or other financial derivatives.

As at 30th June, 2012, the Group employed approximately 79 staff. For the period under review, the staff cost (excluding directors' emoluments) was approximately HK\$1.96 million. 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 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.

Under the share option scheme of the Company adopted on 4th June, 2002 (the "Old Option Scheme"), the Board may, at its discretion, grant options to the Directors and eligible participants (as defined in the Old Option Scheme) to enable them to subscribe for shares of the Company as incentives or rewards for their contribution to the Group. Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 10th June, 2011, a new share option scheme (the "New Option Scheme") was adopted by the Company and the Old Option Scheme was terminated. Since the adoption of the New Option Scheme, no further options can be granted under the Old Option Scheme. There was no share option granted and exercised under the Old Option Scheme and New Option Scheme of the Company during the period under review. As at 30th June, 2012, 24,800,000 share options were still outstanding and such share options were lapsed on 9th July, 2012.

Looking forward, the European debt crisis still lingers on and the economy of the United States remains staggering, the market environment of the global economy for the year of 2012 may continue to be challenging. The management of the Group is cautious on the performance of the financial assets at fair value through profit or loss and will adopt a prudent approach when seeking new investment opportunities. We will continue to look for opportunities to improve our business mix, diversify our business from battery manufacturing with a view to create value for shareholders.

CORPORATE GOVERNANCE

The Company has, during the six months ended 30th June, 2012, met the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) except for the following deviations:

Code provision A.2.1

Code provision A.2.1 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 2nd March, 2012 due to the resignation of the Chairman and Mr. Or Ching Fai has been re-designated as Chairman of the Company. Since then, Mr. Or acted as Chairman and Chief Executive Officer. Although this arrangement constitutes a deviation from the Code, the Board considers that the structure, where the leadership of the Board is distinct from the executive responsibilities for running of the business operations, will not impair the balance of power and authority between the Board and the management of the business, the Board further believes that vesting the roles of Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership in the development and execution of long-term business strategy.

Code provision A.4.1

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its code of conduct regarding director’s securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30th June, 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its share during the six months ended 30th June, 2012. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the period.

REVIEW BY AUDIT COMMITTEE

Having been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu, the 2012 interim report has been reviewed by audit committee of the Company (the “Audit Committee”). The Audit Committee currently comprises three independent non-executive Directors, namely Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying.

As the date of this announcement, the Board of the Company comprises Mr. Or Ching Fai, Ms. Chiu Ching Ching, Mr. Yau Wing Yiu, Mr. Hui Richard Rui, Ms. Chan Ling, Eva and Mr. Chow Kam Wah as executive Directors, and Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander and Mr. Leung Hoi Ying as independent non-executive Directors.

By order of the Board
CHINA STRATEGIC HOLDINGS LIMITED
Or Ching Fai
Chairman

Hong Kong, 28th August, 2012