



中策集團有限公司 China Strategic Holdings Limited

(Incorporated in Hong Kong with limited liability)

Stock code: 0235



2010
Interim Report

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, 2010 together with the comparative figures for the corresponding period in 2009 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

		Six months ended 30 th June,	
	NOTES	2010	2009
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue		5,764	2,601
Cost of sales		(5,539)	(2,631)
		<hr/>	<hr/>
Gross profit (loss)		225	(30)
Other income	4	3,975	8,117
Selling and distribution costs		(328)	(352)
Administrative expenses		(93,570)	(21,381)
Gain on financial assets at fair value through profit or loss		7,794	156,302
Loss on partial redemption of convertible notes		—	(71,034)
Finance costs	5	(2,423)	(27,888)
		<hr/>	<hr/>
(Loss) profit before taxation		(84,327)	43,734
Income tax credit	6	—	4,507
		<hr/>	<hr/>
(Loss) profit for the period	7	(84,327)	48,241
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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (Con't)
FOR THE SIX MONTHS ENDED 30TH JUNE, 2010**

	<i>NOTE</i>	Six months ended 30th June,	
		2010	2009
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Other comprehensive			
income (expense)			
Exchange differences arising on translation		44	1,976
Available-for-sale financial investments:			
Fair value gains		818	5,308
Reclassification adjustments for the cumulative gains included in profit or loss upon disposal		—	(4,552)
		<u>862</u>	<u>2,732</u>
Other comprehensive income for the period		<u>862</u>	<u>2,732</u>
Total comprehensive (expense) income for the period		<u><u>(83,465)</u></u>	<u><u>50,973</u></u>
(Loss) profit for the period attributable to:			
Owners of the Company		(84,302)	48,241
Non-controlling interests		(25)	—
		<u>(84,327)</u>	<u>48,241</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(83,440)	50,973
Non-controlling interests		(25)	—
		<u>(83,465)</u>	<u>50,973</u>
(Loss) earnings per share			
Basic and diluted	9	<u><u>HK(2.3) cents</u></u>	<u><u>HK2.4cents</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2010**

	<i>NOTES</i>	30.6.2010 <i>HK\$'000</i> (unaudited)	31.12.2009 <i>HK\$'000</i> (audited)
Non-Current Assets			
Property, plant and equipment	10	12,286	13,845
Prepaid lease payments		12,368	12,493
Club debentures		825	825
Available-for-sale investments		4,707	3,889
		<hr/> 30,186 <hr/>	<hr/> 31,052 <hr/>
Current Assets			
Inventories		1,537	1,178
Trade and other receivables	11	36,330	50,792
Prepaid lease payments		321	321
Financial assets at fair value through profit or loss	12	329,796	387,549
Bank balances and cash	13	507,628	482,769
		<hr/> 875,612 <hr/>	<hr/> 922,609 <hr/>
Current Liabilities			
Trade and other payables	14	45,446	11,656
Loan payables		69,139	67,403
Income tax payable		6,964	6,964
Bank borrowings		22,815	22,727
Obligations under finance leases		19	26
		<hr/> 144,383 <hr/>	<hr/> 108,776 <hr/>
Net Current Assets		<hr/> 731,229 <hr/>	<hr/> 813,833 <hr/>
Total Assets less Current Liabilities		<hr/> 761,415 <hr/>	<hr/> 844,885 <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Con't)
AT 30TH JUNE, 2010

	<i>NOTE</i>	30.6.2010 <i>HK\$'000</i> (unaudited)	31.12.2009 <i>HK\$'000</i> (audited)
Capital and Reserves			
Share capital	15	369,918	369,918
Reserves		391,268	474,708
		<hr/>	<hr/>
Equity attributable to the owners of the Company		761,186	844,626
Non-controlling interests		229	254
		<hr/>	<hr/>
Total Equity		761,415	844,880
		<hr/>	<hr/>
Non-Current Liability			
Obligations under finance leases		—	5
		<hr/>	<hr/>
		—	5
		<hr/>	<hr/>
		761,415	844,885
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE, 2010**

Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Special capital reserve HK\$'000	Share option reserve HK\$'000	Convertible notes reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other non-distributable reserves HK\$'000	(Accumulated losses) retained profits HK\$'000	Total interests HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 st January, 2009 (audited)	202,880	352,079	1,267	11,397	185,479	233	3,445	9,117	1,943	(419,003)	348,837	261	349,098
Profit for the period	—	—	—	—	—	—	—	—	—	48,241	48,241	—	48,241
Exchange difference arising on translation	—	—	—	—	—	—	—	1,976	—	—	1,976	—	1,976
Fair value changes of available-for-sale investments	—	—	—	—	—	—	5,308	—	—	—	5,308	—	5,308
Realised upon disposal of available-for-sale investments	—	—	—	—	—	—	(4,552)	—	—	—	(4,552)	—	(4,552)
Total comprehensive income for the period	—	—	—	—	—	—	756	1,976	—	48,241	50,973	—	50,973
Redemption of convertible notes	—	—	—	—	(71,034)	—	—	—	—	71,034	—	—	—
Reversal of deferred tax liabilities on partial redemption of convertible notes	—	—	—	—	6,788	—	—	—	—	—	6,788	—	6,788
At 30 th June, 2009 (unaudited)	202,880	352,079	1,267	11,397	121,233	233	4,201	11,093	1,943	(299,728)	406,598	261	406,859

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Con't)
FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Special capital reserve HK\$'000 <i>(note)</i>	Share option reserve HK\$'000	Convertible notes reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Other non-distributable reserves HK\$'000	(Accumulated losses) retained profits HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 st January, 2010 (audited)	369,918	846,242	1,267	11,397	—	233	4,013	9,268	1,943	(399,655)	254	844,880
Loss for the period	—	—	—	—	—	—	—	—	—	(84,302)	(25)	(84,327)
Exchange difference arising on translation	—	—	—	—	—	—	—	44	—	—	—	44
Fair value changes of available-for-sale investments	—	—	—	—	—	—	818	—	—	—	—	818
Total comprehensive income (expense) for the period	—	—	—	—	—	—	818	44	—	(84,302)	(25)	(83,465)
At 30 th June, 2010 (unaudited)	369,918	846,242	1,267	11,397	—	233	4,831	9,312	1,943	(483,957)	229	761,415

Note The special capital reserve of the Group at 1st January, 2009 represented the amount arising from the capital reduction carried out by the Company during the year ended 31st December, 2001.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2010**

	Six months ended 30th June, 2010 HK\$'000 (unaudited)	2009 HK\$'000 (unaudited)
Net cash from operating activities	<u>27,743</u>	<u>101,311</u>
Net cash (used in) generated from investing activities:		
Purchase of property, plant and equipment	(2,735)	(52)
Interest received	521	583
Proceeds from disposal of available-for-sale investments	—	9,369
	<u>(2,214)</u>	<u>9,900</u>
Net cash used in financing activities:		
Interest paid	(687)	(516)
Repayment of obligations under finance leases	(12)	(12)
Redemption of convertible notes	—	(407,560)
Repayment to a subsidiary of an associate	—	(105)
	<u>(699)</u>	<u>(408,193)</u>
Net increase (decrease) in cash and cash equivalents	24,830	(296,982)
Cash and cash equivalents at beginning of the period	482,769	777,418
Effect of foreign exchange rate changes	<u>29</u>	<u>381</u>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u>507,628</u>	<u>480,817</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st December, 2009 except as described below.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) “Business Combinations” prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) “Consolidated and Separate Financial Statements” in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

2. PRINCIPAL ACCOUNTING POLICIES (Con't)

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Except as described above, the adoption of the new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for current and prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ⁴
HKAS 32 (Amendment)	Classification of Rights Issues ²
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 9	Financial Instruments ⁵
HK(IFRIC) - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate

² Effective for annual periods beginning on or after 1st February, 2010

³ Effective for annual periods beginning on or after 1st July, 2010

⁴ Effective for annual periods beginning on or after 1st January, 2011

⁵ Effective for annual periods beginning on or after 1st January, 2013

2. PRINCIPAL ACCOUNTING POLICIES (Con't)

HKFRS 9 “Financial Instruments” introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group’s financial assets.

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

3. SEGMENT INFORMATION

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

	Investments in securities and advance	Battery products	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Six months ended 30 th June, 2010			
Gross proceeds	85,202	5,764	90,966
REVENUE			
External sales	—	5,764	5,764
RESULT			
Segment result	10,889	(8,561)	2,328
Other income			195
Central administrative costs			(84,427)
Finance costs			(2,423)
Loss before taxation			(84,327)

3. SEGMENT INFORMATION (Con't)

	Investments in securities and advance <i>HK\$'000</i>	Battery products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended 30 th June, 2009			
Gross proceeds	<u>432,533</u>	<u>2,601</u>	<u>435,134</u>
REVENUE			
External sales	<u>—</u>	<u>2,601</u>	<u>2,601</u>
RESULT			
Segment result	<u>163,690</u>	<u>(3,936)</u>	159,754
Loss on partial redemption of convertible notes			(71,034)
Other income			591
Central administrative costs			(17,689)
Finance costs			<u>(27,888)</u>
Profit before taxation			<u>43,734</u>

Segment profit(loss) represents profit(loss) earned/incurred by each segment and gain on financial assets at fair value through profit or loss without allocation of certain other income, central administrative costs, loss on partial redemption of convertible notes and finance costs. This is the measure reported to the chief operation decision makers for the purpose of resource allocation and performance assessment.

As the Group's segment assets and liabilities are not regularly provided to the Group's chief operating decision makers, represent the executive directors, for review, the measure of total assets and liabilities for each reportable segment is not presented.

4. OTHER INCOME

	Six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
Dividend income from financial assets at fair value through profit or loss	3,396	2,836
Interest income	521	583
Gain on disposal of available-for-sale investments	—	4,552
Exchange gain, net	58	8
Others	—	138
	<u>3,975</u>	<u>8,117</u>

5. FINANCE COSTS

	Six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
Interest on borrowings wholly repayable within five years:		
- loan payables	1,736	1,736
- bank borrowings	684	513
- obligations under finance leases	3	3
Effective interest on convertible notes	—	25,636
	<u>2,423</u>	<u>27,888</u>

6. TAXATION

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 as the Company and its subsidiaries had no assessable profit in both periods.

The income tax credit for the period ended 30th June, 2009 represents reversal of deferred tax liabilities upon redemption of convertible notes.

7. (LOSS) PROFIT FOR THE PERIOD

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

	Six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
Amortisation of prepaid lease payments	160	160
Depreciation of property, plant and equipment	4,913	4,662
Write off of property, plant and equipment	—	535
	<u><u> </u></u>	<u><u> </u></u>

8. DIVIDEND

No dividend were paid or declared or proposed during the period ended 30th June, 2010. The directors do not recommend the payment of an interim dividend (2009: Nil).

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss)earnings per share is based on the loss for the period attributable to the owners of the Company of approximately HK\$84,302,000(six months ended 30th June, 2009: profit of approximately HK\$48,241,000) and the weighted average number of 3,699,183,927(six months ended 30th June, 2009: 2,028,797,543) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 30th June, 2010 does not include adjustments for the Company's outstanding share options as they have anti-dilutive effect.

The computation of diluted earnings per share for the six months ended 30th June, 2009 does not include adjustments for the Company's outstanding convertible notes and share options as they have anti-dilutive effect.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred an expenditure of approximately HK\$2,735,000 (six months ended 30th June, 2009: HK\$52,000) on property, plant and equipment.

11. TRADE AND OTHER RECEIVABLES

The Group allows its trade customers a credit period normally ranging from 90 days to 180 days. The aged analysis based on the invoice date of the trade receivables indicated that all Group's trade receivables of HK\$1,250,000 (31st December, 2009: HK\$768,000) at the end of the reporting period are aged within 90 days.

Included in the other receivables is an amount of approximately HK\$20,022,000 (31st December, 2009: HK\$28,448,000) placed with security brokers for trading securities in Hong Kong, which are repayable on demand and variable interest bearing at 0.01% to 0.7% (six months ended 30th June, 2009: 0.01% to 0.51%).

The remaining balance of other receivables is unsecured, interest-free and repayable on demand, which included an amount of HK\$9,800,000 (31st December, 2009: HK\$10,800,000) due from a single counter party. The directors are of the opinion that the credit risk on such balance is limited because the amount due from this single counter party is indemnified by a Hong Kong listed company.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30th June, 2010, the Group had investments in equity securities listed in Hong Kong of approximately HK\$211,528,000 (31st December, 2009: HK\$304,134,000). The gain on change in fair value of investments held for trading and financial assets designated at fair value through profit or loss of approximately HK\$7,200,000 (six months ended 30th June, 2009: HK\$156,302,000) and HK\$594,000 (six months ended 30th June, 2009: nil), respectively, have been recognised in the condensed consolidated statement of comprehensive income for the six months ended 30th June, 2010.

13. BANK BALANCES AND CASH

Bank balances and cash comprises cash and bank balances held by the Group that are interest bearing at prevailing market rate range from 0.01% to 0.31% (31st December, 2009: 0.01% to 0.26%) and have original maturity of three months or less.

14. TRADE AND OTHER PAYABLES

At 30th June, 2010, included in trade and other payables are trade payables of approximately HK\$1,561,000 (31st December, 2009: HK\$1,803,000) with the following aged analysis based on invoice date at the end of the reporting period:

	30.6.2010 HK\$'000	31.12.2009 <i>HK\$'000</i>
0-90 days	742	405
91-180 days	26	175
Over 180 days	793	1,223
	<u>1,561</u>	<u>1,803</u>

15. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.10 each			
Authorised:			
At 1 st January, 2009, 30 th June, 2009 and 31 st December, 2009		8,000,000,000	800,000
Increase during the period	<i>(a)</i>	<u>192,000,000,000</u>	<u>19,200,000</u>
At 30 th June 2010		<u>200,000,000,000</u>	<u>20,000,000</u>
Issued and fully paid:			
At 1 st January, 2009 and 30 th June, 2009		2,028,797,543	202,880
Conversion of convertible notes	<i>(b)</i>	<u>1,670,386,384</u>	<u>167,038</u>
At 31st December, 2009 and 30th June, 2010		<u>3,699,183,927</u>	<u>369,918</u>

Note:

- (a) Pursuant to a resolution passed on 16th March, 2010, the Company's authorised share capital was increased from HK\$800,000,000 to HK\$20,000,000,000 by the creation of an additional 192,000,000,000 ordinary shares of HK\$0.10 each in the share capital of the Company.
- (b) On 3rd August, 4th August and 17th November, 2009, 100,000,000, 200,000,000 and 1,370,386,384 shares of the Company respectively, of HK\$0.10 each were issued upon conversion of convertible notes with aggregate principal amount of HK\$36,000,000, HK\$72,000,000 and HK\$493,339,000, respectively.

16. CONVERTIBLE NOTES

On 23rd August, 2007, the Company entered into convertible notes placing agreement with the independent placing agent for the placement of a maximum aggregate principal amount of HK\$1,320 million on a best effort basis. The convertible notes will be non-interest bearing and have maturity date on 31st December, 2010. The placements are expected to raise maximum net proceeds of approximately HK\$1,287 million.

On 5th November, 2007 and 7th January, 2008, the aggregate principal amounts to HK\$146.9 million and HK\$1,173.1 million (“Convertible Notes”) were issued respectively.

The Convertible Notes holders had the right, at any time before the maturity date on 31st December, 2010, to convert the whole or part of the outstanding principal amount of the Convertible Notes into ordinary shares in the issued share capital of the Company of HK\$0.10 each, by giving prior written notice to the Company. The conversion price, subject to anti-dilutive 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.

The Company has the right to early redeem the Convertible Notes, at any time before the maturity date on 31st December, 2010, by giving not less than 7 business days’ prior written notice to the Convertible Note holders at the principal amount of the Convertible Notes.

On initial recognition, the fair value of the liability component of the Convertible Notes is determined using the prevailing market interest of similar non-convertible debts at 10.32% per annum. The difference between the gross proceeds of the issue of the Convertible Notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the Convertible Notes into equity, is included in equity (convertible notes reserve).

In January and March 2009, the Company early redeemed Convertible Notes with principal amounts of HK\$307,560,000 and HK\$100,000,000 respectively. As at 30th June, 2009, the Convertible Notes with the principal amount of HK\$601 million remained outstanding. In August and November, 2009, Convertible Notes with principal amount of HK\$108,000,000 and HK\$493,339,000, respectively, were converted into ordinary shares of the Company. As at 30th June, 2010, there was no Convertible Notes outstanding.

16. CONVERTIBLE NOTES (Con't)

The movement of the liability component of the Convertible Notes for the six months ended 30th June, 2010 and 2009 is set out below:

	Six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
At beginning of the period	—	829,001
Effective interest expenses	—	25,636
Early redemption of Convertible Notes	—	(336,526)
	<hr/>	<hr/>
At end of the period	—	518,111
	<hr/> <hr/>	<hr/> <hr/>

17. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

	30.6.2010	31.12.2009
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of a subsidiary contracted for but not provided in the consolidated financial statements	13,903,000	13,903,000
	<hr/> <hr/>	<hr/> <hr/>

18. PLEDGE OF ASSETS

- (a) At 30th June, 2010, available-for-sale investments and financial assets at fair value through profit or loss with a carrying value of approximately HK\$1,749,000 (31st December, 2009: HK\$1,854,000) and HK\$5,722,000 (31st December, 2009: HK\$3,526,000) respectively were pledged to secure margin account credit facilities granted to the Group. As at 30th June, 2010 and 31st December, 2009, no margin loan facility was utilised by the Group and there is no restriction on trading of these available-for-sale investment and investments held for trading.
- (b) At 30th June, 2010, prepaid lease payment with a carrying value of approximately HK\$9,238,000 (31st December, 2009: HK\$9,304,000) and a building (included in property, plant and equipment) with a carrying amount of HK\$8,983,000 (31st December, 2009: HK\$11,491,000) were pledged to secure short-term bank loan granted to the Group.

19. SUBSEQUENT EVENTS

On 9th July, 2010, the Company held an extraordinary general meeting, in which, among other things, the shareholders approved to extend to 31st October, 2010, the period for the Company to allot and issue new ordinary shares of HK\$0.10 per share pursuant to a convertible note placing agreement and a conditional share placing agreement entered into between the Company and a placing agent on 20th August, 2009 and 9th November, 2009, respectively, in relation to the Company's (i) placing of non-interest bearing convertible redeemable notes, in a maximum aggregate principal amount up to HK\$7,800 million, convertible into an aggregate of a maximum of 78,000 million Shares (subject to adjustment) with a conversion price, subject to adjustment, of HK\$0.10 per share in the share capital of the Company, and (ii) placing of a maximum of 40,000 million new shares at a price of HK\$0.10 per share.

The convertible note placing agreement and the conditional share placing agreement were entered into between the Company and the placing agent in contemplation of the Company's proposed very substantial acquisition to acquire 97.57% of the issued share capital of Nan Shan Life Insurance Company, Ltd. (the "Acquisition").

The Acquisition is conditional, subject to (i) the availability of financing of a maximum of US\$700 million from Taiwan Cooperative Bank and First Commercial Bank Co., Ltd, to the Primus Nan-Shan Holding (Taiwan) Company Limited, a subsidiary of the Company of which the Company indirectly owns 80% and PFH Holdings Ltd own 20% ("the Purchaser") and (ii) obtaining approval by the Financial Supervisory Commission, the Investment Commission, Ministry of Economic Affairs, the Fair Trade Commission and Executive Yuan in the Republic of China (the "ROC") and the Bermuda Monetary Authority for the Acquisition. At 30th June, 2010 and the date of approval for issuance of these condensed consolidated financial statements, such debt financing and approvals are not yet obtained and the acquisition and placing of convertible notes and placing of shares have not yet been completed.

20. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible participants of the Group. During the period, no share options granted had been exercised or lapsed. At 30th June, 2010, the Group has 24,800,000 (31st December, 2009: 24,800,000) share option outstanding.



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF CHINA STRATEGIC HOLDINGS LIMITED

中策集團有限公司
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 1 to 18, which comprise the condensed consolidated statement of financial position of China Strategic Holdings Limited and its subsidiaries (collectively referred to as the “Group”) as of 30th June, 2010 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30th August, 2010

MANAGEMENT DISCUSS AND ANALYSIS

The revenue of the Group for the six months ended 30th June, 2010 increased by approximately HK\$3.16 million to approximately HK\$5.76 million. The revenue for the period was generated from the manufacturing and trading of battery products. With the gradual recovery of the global economy, the demand for the Group's battery products has become stronger and leading to increase in the revenue and also the gross profit ratio. Compared with the same period of 2009, the interest income and gain from fair values changes on financial assets at fair value through profit or loss were decreased by approximately 10.63% and 95.01%, respectively. The administrative expenses for the period were approximately HK\$93.57 million representing approximately 337.63% increased when compared with the same period of 2009. It was due to, among other things, the proposed acquisition project of the Company. As the convertible notes has been redeemed or converted in 2009, the finance cost of the Group for the first half of 2010 was decreased by approximately 91.31% to HK\$2.42 million. Overall, net loss for the period ended 30th June, 2010 was approximately HK\$84.33 million as opposed to a net gain of approximately HK\$48.24 million for the corresponding period in 2009.

During the period under review, the Group financed its operations mainly through cash generated from its business activities, banking facilities provided by principal bankers, and external borrowings. As at 30th June, 2010, the Group had working capital calculated by current assets less current liabilities of approximately HK\$731.23 million and the current ratio decreased to 6.06, compared with the working capital of approximately HK\$813.83 million and current ratio of 8.48 as at 31st December, 2009.

In the period under review, the net cash from operating activities was approximately HK\$27.74 million compared with approximately HK\$101.31 million in the same period of 2009. The net cash used in investing activities and financing activities in the first half of 2010 was approximately HK\$2.21 million and HK\$0.70 million respectively compared with approximately HK\$9.90 million net cash generated from investing activities and HK\$408.19 million net cash used in financing activities in the same period of 2009.

The Group's bank and other borrowings slightly increased from approximately HK\$90.16 million as at 31st December, 2009 to approximately HK\$91.97 million as at 30th June, 2010, representing an increase of 2.01%. At 30th June, 2009, bank and other borrowings were variable rate loans and were denominated in RMB and Hong Kong dollars. As at 30th June, 2010, there were no long term borrowings and convertible notes outstanding. The gearing ratio was approximately 0.19 (31st December, 2009: 0.13) calculated by the total liabilities of HK\$144.38 million (31st December, 2009: HK\$108.78 million) divided by total shareholders' equity of HK\$761.19 million (31st December, 2009: HK\$844.63 million).

MANAGEMENT DISCUSS AND ANALYSIS (Con't)

Capital expenditure aggregated to approximately HK\$2.74 million for the six months ended 30th June, 2010 and was used primarily for purchasing of property, plant and equipment. The Group's capital expenditures will continue to be funded primarily by internal resources or external borrowings or a combination of both as required.

As at 30th June, 2010, the Group had cash and bank balances amounted to approximately of HK\$507.63 million and are mainly denominated in Hong Kong dollars. Financial assets at fair value through profit or loss was in an amount of HK\$329.80 million. As at 30th June, 2010, there was no bank deposit pledged. During the period ended 30th June, 2010, 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, 2010, the Group employed approximately 120 staff, the staff cost (excluding directors' emoluments) was around HK\$3.17 million for the period under review. The staff remuneration packages are normally reviewed annually. The Group operates a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance 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.

There was no share option granted and exercised under the share option scheme of the Company during the period under review. As at 30th June, 2010, 24,800,000 share options were still outstanding.

MANAGEMENT DISCUSS AND ANALYSIS (Con't)

On 20th August, 2009, the Company entered into the conditional placing agreement with Kingston Securities Limited (the “CN Placing Agent”) (the “Conditional Placing Agreement”), pursuant to which, the CN Placing Agent has agreed to, as agent of the Company, procure subscribers for the Convertible notes or, failing which, to subscribe as principal the convertible notes in an aggregate principal amount of HK\$7,800 million at a conversion price of HK\$0.10 per conversion share (the “Convertible Notes”). The Convertible Notes shall not bear any interest other than default interest and maturity on six (6) months from the date of issue of the Convertible Notes. The whole of the outstanding principal amount of the Convertible Notes shall be automatically converted into ordinary shares in the issued share capital of the Company at the conversion price of HK\$0.10 per share on a day to be determined by the Company upon which the Convertible Notes are converted into conversion shares. The net proceeds of approximately HK\$7,600 million is intended to be used to fund the proposed acquisition of more than 90% of the share capital of an insurance company located in the Greater China Region. The long stop date of the Conditional Placing Agreement was subsequently extended to 12th October, 2010. Details of the placing of Convertible Notes were disclosed in the Company’s announcements dated 20th August, 2009 and 21st June, 2010 and the circular of the Company dated 27th February, 2010 and 23rd June, 2010.

On 2nd September, 2009, the Group entered into a consortium letter with PFH Holdings, Ltd and the PFH Partnership Holdings, L.P., pursuant to which the parties agreed to (i) that on or prior to the date of completion of the sale and purchase agreement and subject to the fulfillment of all the conditions precedent set forth in the sale and purchase agreement and the Conditional Placing Agreement, the Company will direct Kingston Securities Limited to pay an amount up to the net proceeds from the placing of Convertible Notes (being a maximum aggregate amount of approximately HK\$7.6 billion (or its equivalent in any other currencies) to the American International Group, Inc. (or any other persons as direct by American International Group, Inc.) for the purpose of satisfying the obligation to make payment of the purchase price under the sale and purchase agreement; and (ii) that the Company will appoint Mr. Robert R. Morse as director and vice chairman to the board of the Company with effect from completion of the proposed acquisition of 97.57% of issued share capital of Nan Shan Life Insurance Company Limited by the Company or a member of the Group. Details of the consortium letter were disclosed in the Company’s announcements dated 2nd September, 2009 and the circular of the Company dated 27th February, 2010.

MANAGEMENT DISCUSS AND ANALYSIS (Con't)

On 12th October, 2009, the Management Agreement was entered into between the Company, the Primus Investor, PFH Holdings, the Purchaser, Mr. Morse and Mr. Ng. Pursuant to the Management Agreement, the parties agreed (i) the making of the Equity Contribution Amounts to the Purchaser on or prior to Acquisition Completion by each of the Company and the Primus Investor Group in the proportion of 80% and 20%, respectively for the purpose of enabling the Purchaser to meet its payment obligations under the Share Purchase Agreement; (ii) the composition of the Purchaser Board and the appointment of directors onto the Purchaser Board; (iii) the appointment of Mr. Morse and Mr. Ng as Co-CEOs of the Purchaser, the terms of such appointment to be set out in the Employment Agreements; and (iv) the sharing of expenses (on a pro rata basis in accordance with the Company and Primus Investor's shareholding in the Purchaser) incurred in respect of the Transactions by the Company and Primus Investor. Pursuant to the Management Agreement, the Company, Primus Investor, PFH Holdings, the Purchaser, Mr. Morse and Mr. Ng also agreed that the Employment Agreements will be entered into in respect of the terms of appointment of Mr. Morse and Mr. Ng as Co-CEOs of the Purchaser and the Service Fees payable by the Company to Mr. Morse and Mr. Ng for services performed by each of them in connection with the Transactions and the preparation of the Bid by the Purchaser. Pursuant to the Management Agreement and in respect of the appointment of Mr. Or and Mr. Ma as Directors, the Company will enter into the Option Agreements pursuant to which the Company will grant to Mr. Morse, Mr. Ng, Mr. Or and Mr. Ma, the Share Options. Terms used herein shall, unless otherwise defined, have the same meanings as defined in the announcement of the Company dated 10th November, 2009. Further details were set out in the announcement of the Company dated 13th October, 2009 and 10th November, 2009 and the circular of the Company dated 27th February, 2010.

On 13th October, 2009, Primus Nan-Shan Holding Company Ltd, a subsidiary of the Company of which the Company indirectly owns 80% and PFH Holdings owns 20% (the "Purchaser") and American International Group, Inc. (the "Seller") entered into the share and purchase agreement pursuant to which the Seller and the Purchaser agreed that subject to the satisfaction of various conditions, the Seller will sell (or cause one or more of its subsidiaries to sell) and the Purchaser will purchase 767,893,139 shares of common stock of Nan Shan, which represent approximately 97.57% of the issued and outstanding share capital of Nan Shan. The purchase price for the sales shares is agreed at US\$2,146,588,190 (the "Share Purchase Agreement"). The long stop date of the Share Purchase Agreement was subsequently extended to 12th October, 2010. Further details were set out in the announcement of the Company dated 13th October, 2009, 10th November, 2009 and 21st June, 2010 and the circular of the Company dated 27th February, 2010 and 23rd June, 2010.

MANAGEMENT DISCUSS AND ANALYSIS (Con't)

On 9th November, 2009, the Company and Kingston Securities Limited (the “Share Placing Agent”) entered into the conditional share placing agreement (the “Conditional Share Placing Agreement”) pursuant to which the Company agrees to conditionally place and the Share Placing Agent agrees to, as agent of the Company, procure purchasers during the placing period on a best effort basis, for the shares up to a maximum of 40,000,000,000 new shares at HK\$0.10 per share. The long stop date of the Conditional Share Placing Agreement was subsequently extended to 12th October, 2010. Further details were set out in the announcement of the Company dated 10th November, 2009 and 21st June, 2010 and the circular of the Company dated 27th February, and 23rd June, 2010.

On 16th March, 2010, the Company held an extraordinary general meeting (the “EGM”), in which, among other things, the Sale and Purchase Agreement has been approved by the shareholders. Details of the EGM results were set out in the announcement of the Company dated 16th March, 2010.

On 11th June, 2010, the Purchaser and the Seller have agreed to amend the Share Purchase Agreement and the Escrow Agreement to reflect that, on or before the Acquisition Completion Date, the Purchaser shall deposit US\$325,000,000 of the Purchase Price into the Escrow Accounts for purposes of funding any RBC Shortfall of Nan Shan. Terms used herein shall, unless otherwise defined, have the same meanings as defined in the announcement of the Company dated 11th June, 2010. Further details were set out in the announcement of the Company dated 11th June, 2010.

On 21st June, 2010, the Purchaser and the Seller have agreed to extend the Long Stop Date of the Share Purchase Agreement to 12th October, 2010. Further, the Company has agreed on 21st June, 2010 with (i) the CN Placing Agent to extend the Long Stop Date of the Conditional Placing Agreement to 12th October, 2010; and (ii) the Share Placing Agent to extend the Long Stop Date of the Conditional Share Placing Agreement to 12th October, 2010. Terms used herein shall, unless otherwise defined, have the same meanings as defined in the announcement of the Company dated 21st June, 2010. Further details were set out in the announcement of the Company dated 21st June, 2010 and the circular of the Company dated 23rd June, 2010.

On 9th July, 2010, the Company held an extraordinary general meeting (the “EGM”), in which, among other things, the extension of the period of validity of specific mandate has been approved by the shareholders. Details of the EGM results were set out in the announcement of the Company dated 9th July, 2010.

MANAGEMENT DISCUSS AND ANALYSIS (Con't)

Looking forward, following to the signing of the Share Purchase Agreement, however, the completion of the acquisition is still under various conditions, the acquisition of 97.57% of issued share capital of Nan Shan Life Insurance Company Limited represents a unique opportunity for the Company, and is also potentially beneficial to enhance its shareholders' value. On the other hand, despite the recent signs of stabilizing in global economy, the market in 2010 will remain full of challenging and the interest rate is expected on hold in the year of 2010. The Group tends to remain cautious on the performance of securities investment operation and also the battery products manufacturing and trading business. We will continue to seek to invest in other financial services institutions in the greater China region, with initial focus in Taiwan. The Company's vision is to establish a strong and competitive Asia-based financial services platform upon which to further develop the Group's presence in the financial services market in Asia. The Group will continue to seek for investment opportunities which it considers to be beneficial to the Company with a view to enhance its shareholders' value.

CORPORATE GOVERNANCE

The Company has, during the six months ended 30th June, 2010 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 deviation:

Code provision A.4.1

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

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2010, the interest and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company as recorded in the register required to be kept under section 352 of the Securities and Futures Ordinance ("SFO") were as follows:

Long positions in shares, underlying share of the Company:

Name of Director	Number of shares/underlying shares			Approximate% of the issued share capital of the Company	Note
	Beneficiary of a Trust	Share options	Total		
Chan Ling, Eva ("Ms. Chan")	—	4,400,000	4,400,000	0.11	1
Ma Si Hang, Frederick ("Mr. Ma")	3,000,000	100,000,000	103,000,000	2.78	2
Or Ching Fai ("Mr. Or")	—	600,000,000	600,000,000	16.22	3

Note:

1. The personal interest of Ms. Chan represents an interest in 4,400,000 underlying shares in respect of options granted by the Company as stated below.
2. Pursant to the option deed entered into between Mr. Ma and the Company on 26th February, 2010, the Company agreed to grant to Mr. Ma 100,000,000 share options upon fulfillment of certain conditions precedent.
3. Pursant to the option deed entered into between Mr. Or and the Company on 26th February, 2010, the Company agreed to grant to Mr. Or 600,000,000 share options upon fulfillment of certain conditions precedent.

DIRECTORS AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Con’t)

The following table discloses movements in the Company’s share options during the period:

	Date of grant	Exercisable period	Exercise price HK\$	Number of shares options	
				At 1.1.2010	At 30.6.2010
Eligible participants	10.7.2007	10.7.2007 to 9.7.2012	0.724	20,400,000	20,400,000
				<u>20,400,000</u>	<u>20,400,000</u>
Executive director:					
Chan Ling, Eva	10.7.2007	10.7.2007 to 9.7.2012	0.724	4,400,000	4,400,000
				<u>24,800,000</u>	<u>24,800,000</u>

Note: The number and/or exercise price of the share options is/are subject to adjustment in the case of rights or other changes in the Company’s share capital.

Except as disclosed above, as at 30th June, 2010, none of directors nor chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be recorded in the register required to be kept under Section 352 of the SFO, or (b) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”).

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Name of Shareholders	Capacity	Long position/ short position	No. of shares held	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company (%)
CHU Yuet Wah ¹	Interest of controlled corporation	Long position	0	78,000,000,000	2,108.57
Active Dynamic Limited ¹	Interest of controlled corporation	Long position	0	78,000,000,000	2,108.57
Eagle Mission Limited ¹	Interest of controlled corporation	Long position	0	78,000,000,000	2,108.57
Galaxy Sky Investments Limited ¹	Interest of controlled corporation	Long position	0	78,000,000,000	2,108.57
Kingston Securities Limited ¹	Other	Long position	0	78,000,000,000	2,108.57
CHEUNG Chung Kiu ²	Interest of controlled corporation	Long position	0	8,000,000,000	216.26
Asian Honour Limited ²	Beneficial owner	Long position	0	8,000,000,000	216.26
Yap Allan ³	Interest of controlled corporation	Long position	1,000,000,000	7,800,000,000	210.85
Bingo Wealth Investments Limited ³	Beneficial owner	Long position	1,000,000,000	7,800,000,000	210.85
PMA Capital Management Limited ⁴	Investment manager	Long position	0	7,000,000,000	189.23
PMA Strategic Investments Fund ⁴	Beneficial owner	Long position	0	7,000,000,000	189.23
LAM How Mun Peter ⁵	Beneficial owner and interest of controlled corporation	Long position	2,504,960,000	6,004,960,000	162.33
Mighty Kingdom Holdings Limited ⁵	Beneficial owner	Long position	2,500,000,000	5,800,000,000	156.79
WONG Howard ⁶	Beneficial owner and interest of controlled corporation	Long position	3,002,000,000	6,002,000,000	162.25
Business Link Holdings Limited ⁶	Beneficial owner	Long position	3,000,000,000	6,000,000,000	162.20
ZHANG Xingmei ⁷	Interest of controlled corporation	Long position	2,500,000,000	6,000,000,000	162.20
Green Apples Investments Limited ⁷	Beneficial owner	Long position	2,500,000,000	6,000,000,000	162.20
SUEN Cho Hung, Paul ⁸	Interest of controlled corporation	Long position	3,800,000,000	6,000,000,000	162.20
Novel Well Limited ⁸	Beneficial owner	Long position	3,800,000,000	6,000,000,000	162.20
OU Yaping	Beneficial owner	Long position	0	6,000,000,000	162.20
LEE Yuk Lun ⁹	Interest of controlled corporation	Long position	3,500,000,000	5,500,000,000	148.68
Spring Wealth Holdings Limited ⁹	Beneficial owner and other	Long position	3,500,000,000	5,500,000,000	148.68
Get Nice Holdings Limited ¹⁰	Interest of controlled corporation	Long position	0	5,000,000,000	135.16
Get Nice Incorporated ¹⁰	Interest of controlled corporation	Long position	0	5,000,000,000	135.16
Get Nice Securities Limited ¹⁰	Beneficial owner	Long position	0	5,000,000,000	135.16
CHENG Yu Tung ¹¹	Interest of controlled corporation	Long position	0	4,500,000,000	121.65
Chow Tai Fook Nominee Limited ¹¹	Beneficial owner	Long position	0	4,500,000,000	121.65
LAU Luen Hung	Beneficial owner	Long position	0	4,500,000,000	121.64
FUNG Yui Sum	Beneficial owner	Long position	4,300,000,000	4,300,000,000	116.24
LIU Sai Wang Stephen	Beneficial owner	Long position	4,300,000,000	4,300,000,000	116.24
CHO Kwai Chee	Beneficial owner and other	Long position	77,805,000	4,077,805,000	110.23

SUBSTANTIAL SHAREHOLDERS (Con't)

Name of Shareholders	Capacity	Long position/ short position	No. of shares held	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Company (%)
YAM Tak Cheung ¹²	Interest of controlled corporation	Long position	0	4,000,000,000	108.13
Integrated Asset Management (Asia) Limited ¹²	Beneficial owner	Long position	0	4,000,000,000	108.13
NG Leung Ho	Other	Long position	0	4,000,000,000	108.13
TANG Ching Ho	Other	Long position	0	4,000,000,000	108.13
Seekers Master Fund	Beneficial owner	Long position	0	3,800,000,000	102.73
LIU Andrew	Beneficial owner	Long position	3,200,000,000	3,200,000,000	86.50
Morse Robert Randolph	Beneficial owner	Long position	0	3,200,000,000	86.50
Ng Wing Fai	Beneficial owner	Long position	0	3,200,000,000	86.50
CHAM Wai Ho, Anthony	Beneficial owner	Long position	2,575,000,000	2,575,000,000	69.61
CHEUNG Yu Ping ¹³	Interest of controlled corporation	Long position	2,500,000,000	2,500,000,000	67.58
Harvest Sun Trading Limited ¹³	Beneficial owner	Long position	2,500,000,000	2,500,000,000	67.58
LI Zhong Ning ¹⁴	Interest of controlled corporation	Long position	2,500,000,000	2,500,000,000	67.58
You Ming Limited ¹⁴	Beneficial owner	Long position	2,500,000,000	2,500,000,000	67.58
CHONG Shaw Swee Alan ¹⁵	Interest of controlled corporation	Long position	2,000,000,000	2,000,000,000	54.07
More Profit Securities Limited ⁵	Beneficial owner	Long position	2,000,000,000	2,000,000,000	54.07
HUI Yick Fu	Beneficial owner	Long position	0	1,200,000,000	32.44
YAN Chi Ping	Beneficial owner	Long position	0	1,200,000,000	32.44
KUK Po Shun	Beneficial owner	Long position	0	1,065,000,000	28.79
MAK Siu Hang Viola ¹⁶	Interest of controlled corporation	Long position	0	1,000,000,000	27.03
VMS Investment Group Limited ¹⁶	Interest of controlled corporation	Long position	0	1,000,000,000	27.03
VMS Private Investment Partners VI Limited (FKS Sino Blaze Limited) ¹⁶	Beneficial owner	Long position	0	1,000,000,000	27.03
ZHANG Yu Tao, Bryant ¹⁷	Interest of controlled corporation	Long position	0	1,000,000,000	27.03
Beta Asset Management Limited ¹⁷	Beneficial owner	Long position	0	1,000,000,000	27.03
KWONG Kai Sing Benny	Beneficial owner	Long position	0	1,000,000,000	27.03
YEUNG Ming Kwong	Beneficial owner	Long position	0	1,000,000,000	27.03
Or Ching Fai	Beneficial owner	Long position	0	600,000,000	16.22
CHONG Tin Lung ¹⁸	Interest of controlled corporation	Long position	0	225,000,000	6.08
VMS Capital Limited ¹⁸	Beneficial owner	Long position	0	225,000,000	6.08
WONG Fung Kwan Daisy	Other	Long position	200,000,000	200,000,000	5.40

Notes:

1. Kingston Securities Limited will be beneficially interested in 78,000,000,000 shares in the Company after the completion of Conditional Placing Agreement dated 20 August, 2009 which has not yet completed as at 30th June, 2010. Ms. Chu Yuet Wah owns the entire interest of Active Dynamic Limited which in turn owns 80% of Eagle Mission Limited. Eagle Mission Limited owns the entire interests of Galaxy Sky Investments Limited which in turn owns the entire interest of Kingston Securities Limited. Accordingly, Galaxy Sky Investments Limited, Eagle Mission Limited, Active Dynamic Limited and Ms. Chu Yuet Wah are deemed to be interested in the 78,000,000,000 shares in the Company.
2. Asian Honour Limited will be beneficially interested in 8,000,000,000 shares in the Company after the completion of Conditional Placing Agreement dated 20 August, 2009 which has not yet completed as at 30th June, 2010. Mr. Cheung Chung Kiu owns the entire interest of Asian Honour Limited and accordingly Mr. Cheung Chung Kiu is deemed to be interested in the 8,000,000,000 shares in the Company.
3. Bingo Wealth Investments Limited will be beneficially interested in 7,800,000,000 shares in the Company after the completion of Conditional Placing Agreement and Conditional Share Placing Agreement dated 20 August, 2009 and 9 November, 2009 respectively which have not yet completed as at 30th June, 2010. Mr. Yap Allan owns the entire interest of Bingo Wealth Investments Limited and accordingly Mr. Yap Allan is deemed to be interested in the 7,800,000,000 shares in the Company.
4. PMA Strategic Investments Fund will be beneficially interested in 7,000,000,000 shares in the Company after the completion of Conditional Placing Agreement dated 20 August, 2009 which has not yet completed as at 30th June, 2010. PMA Capital Management Limited has 100% control over PMA strategic Investments Fund and accordingly PMA Capital Management Limited is deemed to be interested in the 7,000,000,000 shares in the Company.
5. Mighty Kingdom Holdings Limited will be beneficially interested in 5,800,000,000 shares in the Company after the completion of Conditional Placing Agreement and Conditional Share Placing Agreement dated 20 August, 2009 and 9 November, 2009 respectively which have not yet completed as at 30th June, 2010. Mr. Lam How Mun Peter owns the entire interest of Mighty Kingdom Holdings Limited and accordingly Mr. Lam How Mun Peter is deemed to be interested in the 5,800,000,000 shares in the Company.
6. Business Link Holdings Limited will be beneficially interested in 6,000,000,000 shares in the Company after the completion of Conditional Placing Agreement and Conditional Share Placing Agreement dated 20 August, 2009 and 9 November, 2009 respectively which has not yet completed as at 30th June, 2010. Mr. Wong Howard owns the entire interest of Business Link Holdings Limited and accordingly Mr. Wong Howard is deemed to be interested in the 6,000,000,000 shares in the Company.

7. Green Apples Investments Limited will be beneficially interested in 6,000,000,000 shares in the Company after the completion of Conditional Placing Agreement and Conditional Share Placing Agreement dated 20 August, 2009 and 9 November, 2009 respectively which has not yet completed as at 30th June, 2010. Ms. Zhang Xingmei owns the entire interest of Green Apples Investments Limited and accordingly Ms. Zhang Xingmei is deemed to be interested in the 6,000,000,000 shares in the Company.
8. Novel Well Limited will be beneficially interested in 6,000,000,000 shares in the Company after the completion of Conditional Placing Agreement and Conditional Share Placing Agreement dated 20 August, 2009 and 9 November, 2009 respectively which has not yet completed as at 30th June, 2010. Mr. Suen Cho Hung, Paul owns the entire interest of Novel Well Limited and accordingly Mr. Suen Cho Hung, Paul is deemed to be interested in the 6,000,000,000 shares in the Company.
9. Spring Wealth Holdings Limited will be beneficially interested in 5,500,000,000 shares in the Company after the completion of Conditional Placing Agreement and Conditional Share Placing Agreement dated 20 August, 2009 and 9 November, 2009 respectively which has not yet completed as at 30th June, 2010. Mr. Lee Yuk Lun owns the entire interest of Spring Wealth Holdings Limited and accordingly Mr. Lee Yuk Lun is deemed to be interested in the 5,500,000,000 shares in the Company.
10. Get Nice Securities Limited will be beneficially interested in 5,000,000,000 shares in the Company after the completion of Conditional Placing Agreement dated 20 August, 2009 which has not yet completed as at 30th June, 2010. Get Nice Holdings Limited owns the entire interest of Get Nice Incorporated which in turn owns the entire interests of Get Nice Securities Limited and accordingly Get Nice Holdings Limited and Get Nice Incorporated are deemed to be interested in the 5,000,000,000 shares in the Company.
11. Chow Tai Fook Nominee Limited will be beneficially interested in 4,500,000,000 shares in the Company after the completion of Conditional Placing Agreement dated 20 August, 2009 which has not yet completed as at 30th June, 2010. Mr. Cheng Yu Tung owns the entire interest of Chow Tai Fook Nominee Limited and accordingly Mr. Cheng Yu Tung is deemed to be interested in the 4,500,000,000 shares in the Company.
12. Integrated Asset Management (Asia) Limited will be beneficially interested in 4,000,000,000 shares in the Company after the completion of Conditional Placing Agreement dated 20 August, 2009 which has not yet completed as at 30th June, 2010. Mr. Yam Tak Cheung owns the entire interest of Integrated Asset Management (Asia) Limited and accordingly Mr. Yam Tak Cheung is deemed to be interested in the 4,000,000,000 shares in the Company.
13. Harvest Sun Trading Limited will be beneficially interested in 2,500,000,000 shares in the Company after the completion of Conditional Share Placing Agreement dated 9 November, 2009 which has not yet completed as at 30th June, 2010. Mr. Cheung Yu Ping owns the entire interest of Harvest Sun Trading Limited and accordingly Mr. Cheung Yu Ping is deemed to be interested in the 2,500,000,000 shares in the Company.

14. You Ming Limited will be beneficially interested in 2,500,000,000 shares in the Company after the completion of Conditional Share Placing Agreement 9 November, 2009 which has not yet completed as at 30th June, 2010. Mr. Li Zhong Ning owns the entire interest of You Ming Limited and accordingly Mr. Li Zhong Ning is deemed to be interested in the 2,500,000,000 shares in the Company.
15. More Profit Securities Limited will be beneficially interested in 2,000,000,000 shares in the Company after the completion of Conditional Share Placing Agreement dated 9 November, 2009 which has not yet completed as at 30th June, 2010. Mr. Chong Shaw Swee, Alan owns the entire interest of More Profit Securities Limited and accordingly Mr. Chong Shaw Swee, Alan is deemed to be interested in the 2,000,000,000 shares in the Company.
16. VMS Private Investment Partners VI Limited (FKS Sino Blaze Limited) will be beneficially interested in 1,000,000,000 shares in the Company after the completion of Conditional Placing Agreement dated 20 August, 2009 which has not yet completed as at 30th June, 2010. Ms. Mak Siu Hang, Viola owns the entire interest of VMS Investment Group Limited which in turns owns the entire interest of VMS Private Investment Partners VI Limited (FKS Sino Blaze Limited) and accordingly VMS Investment Group Limited and Ms. Mak Siu Hang, Viola are deemed to be interested in the 1,000,000,000 shares in the Company.
17. Beta Asset Management Limited will be beneficially interested in 1,000,000,000 shares in the Company after the completion of Conditional Placing Agreement dated 20 August, 2009 which has not yet completed as at 30th June, 2010. Mr. Zhang Yu Tao, Bryant owns the entire interest of Beta Asset Management Limited and accordingly Mr. Zhang Yu Tao, Bryant is deemed to be interested in the 1,000,000,000 shares in the Company.
18. VMS Capital Limited will be beneficially interested in 225,000,000 shares in the Company after the completion of Conditional Placing Agreement dated 20 August, 2009 which has not yet completed as at 30th June, 2010. Mr. Chong Tin Lung owns the entire interest of VMS Capital Limited and accordingly Mr. Chong Tin Lung is deemed to be interested in the 225,000,000 shares in the Company.

Other than disclosed above, the Company had not been notified of any other interest or short position in the issued shares of the Company as at 30th June, 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding director's securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code during the six months ended 30th June, 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REVIEW BY AUDIT COMMITTEE

Having been reviewed by the Company's Auditor, Deloitte Touche Tohmatsu, the 2010 interim report has been reviewed by audit committee which comprises three independent non-executive directors of the Company.

As the date of this interim report, 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, Mr. Lee Sun Man and Mr. Chow Kam Wah as executive Directors, Mr. Ma Si Hang, Frederick as a non-executive Director and Ms. Ma Yin Fan, Mr. Phillip Fei and Mr. Leung Hoi Ying as independent non-executive Directors..

By order of the Board

CHINA STRATEGIC HOLDINGS LIMITED

Ma Si Hang, Frederick

Chairman

Hong Kong, 30th August, 2010