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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, 2010

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

	<i>NOTES</i>	Six months ended 30th June,	
		2010	2009
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue		5,764	2,601
Cost of sales		(5,539)	(2,631)
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)
(Loss) profit before taxation		(84,327)	43,734
Income tax credit	6	—	4,507
(Loss) profit for the period	7	(84,327)	48,241

**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 HK\$'000 (unaudited)	2009 HK\$'000 (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)
		<hr/>	<hr/>
Other comprehensive income for the period		862	2,732
		<hr/>	<hr/>
Total comprehensive (expense) income for the period		(83,465)	50,973
		<hr/> <hr/>	<hr/> <hr/>
(Loss) profit for the period attributable to:			
Owners of the Company		(84,302)	48,241
Non-controlling interests		(25)	—
		<hr/>	<hr/>
		(84,327)	48,241
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive (expense) income attributable to:			
Owners of the Company		(83,440)	50,973
Non-controlling interests		(25)	—
		<hr/>	<hr/>
		(83,465)	50,973
		<hr/> <hr/>	<hr/> <hr/>
(Loss) earnings per share			
Basic and diluted	9	HK(2.3) cents	HK2.4 cents
		<hr/> <hr/>	<hr/> <hr/>

**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		329,796	387,549
Bank balances and cash		507,628	482,769
		<hr/> 875,612 <hr/>	<hr/> 922,609 <hr/>
Current Liabilities			
Trade and other payables		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

	30.6.2010 <i>HK\$'000</i> (unaudited)	31.12.2009 <i>HK\$'000</i> (audited)
Capital and Reserves		
Share capital	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 HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1st 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 30th 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	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 1st 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 30th 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	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash from operating activities	27,743	101,311
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
	(2,214)	9,900
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)
	(699)	(408,193)
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	29	381
Cash and cash equivalents at end of the period, represented by bank balances and cash	507,628	480,817

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 <i>HK\$'000</i>	Battery products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Six months ended 30th 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 30th 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 fair value change 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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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>

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.

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.

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 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, 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