THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stock broker, or other licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

華人策略控股有限公司

Chinese Strategic Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 8089)

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF CONVERTIBLE BONDS AND NOTICE OF SGM

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

CLC INTERNATIONAL LIMITED

創僑國際有限公司

A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee is set out on page 14 of this circular. A letter from CLC International Limited containing its advice and recommendations to the Independent Shareholders and the Independent Board Committee is set out on pages 15 to 27 of this circular.

A notice convening a special general meeting of the Company (the "**SGM**") to be held at 2nd Floor, SBI Centre, Nos. 54-58 Des Voeux Road Central, Hong Kong on 8 January 2014 at 11:00 a.m. is set out on pages 48 and 49 of this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the head office and principal place of business of the Company in Hong Kong, 2nd Floor, SBI Centre, Nos. 54-58 Des Voeux Road Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

This circular will remain on the "Latest Company Announcements" page of the Growth Enterprise Market website at www.hkgem.com for at least 7 days and the Company website at www.chinesestrategic.com from the date of its publication.

18 December 2013

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

"Agreement"	the sale and purchase agreement dated 2 August 2013 in relation to the disposal of the Convertible Bonds by the Vendor in the principal amount of HK$34,500,000
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday and Sunday) on which licensed banks are generally open for business in Hong Kong throughout their regular business hours
"China Eco-Farming"	China Eco-Farming Limited, a company continued into Bermuda with limited liability, the shares of which are listed on GEM
"China Eco-Farming Shares"	ordinary share(s) of HK$0.02 each in the issued share capital of China-Eco Farming
"Company"	Chinese Strategic Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on GEM
"Completion"	completion of the transactions contemplated under the Agreement
"Completion Date"	the date on which Completion takes place, which shall be any Business Day falling within 5 Business Days after satisfaction and/or fulfillment of all conditions precedent of the Agreement
"Consideration"	the consideration for the Disposal
"Conversion Shares"	new China Eco-Farming Shares to be allotted and issued by China Eco-Farming upon conversion of the Convertible Bonds in accordance with the terms of the Convertible Bonds

"Convertible Bonds"	the convertible bonds in the principal amount of HK$34,500,000 issued by China Eco-Farming to the Vendor, the principal terms and conditions of which are set out in the announcement of the Company dated 22 February 2013
"Director(s)"	the director(s) of the Company
"Disposal"	the proposed disposal of the Convertible Bonds by the Vendor to the Purchaser under the Agreement
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board comprising all independent non-executive Directors established for the purpose of providing recommendations to the Independent Shareholders in respect of the Disposal
"Independent Financial Adviser" or "CLC International"	CLC International Limited, a corporation licensed to carry out regulated activities type 1 (dealing in securities) and type 6 (advising on corporate finance) under the SFO, being the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the Disposal
"Independent Shareholder(s)"	the Shareholders other than Ms. Yeung and her associates
"Long Stop Date"	31 December 2013
"Latest Practicable Date"	16 December 2013, being the latest practicable date prior to the printing of this circular for ascertaining information for inclusion in this circular
"Ms. Yeung"	Yeung Sau Han Agnes, the executive Director of the Company

"Purchaser"	Sino Coronet Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. So Chi Yuk
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened to approve, among others, if thought fit, the Disposal
"Share(s)"	ordinary share(s) of HK$0.001 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	Top Status International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by the Company
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"%"	per cent

華人策略控股有限公司
Chinese Strategic Holdings Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 8089)

Executive Directors:
Ms. Yeung Sau Han Agnes
Ms. Chan Shui Sheung Ivy

Non-executive Director:
Mr. Lam Kwok Hing Wilfred

Independent Non-executive Directors:
Ms. Yuen Wai Man
Mr. Wang Chin Mong
Mr. Chow Fu Kit Edward

Registered Office in Bermuda:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
2nd Floor, SBI Centre,
Nos. 54-58 Des Voeux Road Central,
Hong Kong

18 December 2013

To the Shareholders, and for information only, warrant holders of the Company

Dear Sirs or Madams,

MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE DISPOSAL OF CONVERTIBLE BONDS

BACKGROUND

The Board announces that on 2 August 2013 (after trading hours), the Vendor, a wholly owned subsidiary of the Company, agreed to dispose the Convertible Bonds in the principal amount of HK$34,500,000 to the Purchaser for the cash Consideration of HK$40,000,000.

The purpose of this circular is to provide you with, among others (i) further details of the Disposal and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Disposal; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice to them in respect of the Disposal; and (iv) a notice convening the SGM.

THE AGREEMENT

Date

2 August 2013

Asset to be disposed

The Convertible Bonds in the principal amount of HK$34,500,000.

On 11 October 2013, the share consolidation of China Eco-Farming on the basis of every two issued and unissued shares of China Eco-Farming be consolidated into one China Eco-Farming Share became effective. Upon such share consolidation, the conversion price of the Convertible Bonds was adjusted to HK$0.02 per Conversion Share.

Upon full exercise of the conversion rights attaching to the Convertible Bonds at the adjusted conversion price of HK$0.02 (subject to adjustment), the total number of Conversion Shares falling to be issued to the Purchaser will be 1,725,000,000, representing 98.07% of the issued share capital of China Eco-Farming as at the Latest Practicable Date and 49.51% of the issued share capital of China Eco-Farming as enlarged by the issue of the Conversion Shares.

Parties

Vendor: Top Status International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by the Company.

Purchaser: Sino Coronet Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. So Chi Yuk.

The Vendor is an investment holdings company.

To the best of the Directors' knowledge, information and belief, the Purchaser is principally engaged in investment holdings.

The sole shareholder and sole director of the Purchaser is an associate of Ms. Yeung who is an executive Director and thus, a connected person of the Company and the Disposal constitutes a connected transaction of the Company under the GEM Listing Rules.

Consideration

The Consideration shall be HK$40,000,000, and settled by the Purchaser in cashier order or cheque issued by solicitors' firm at Completion.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser and with reference to the following factors. The Company has taken into consideration (i) thin trading volume of China Eco-Farming Shares on the Stock Exchange, being approximately 2,000,000 shares per trading day on average over the 1-year period prior to the date of the Agreement, representing approximately 0.07% of the total number of issued shares of China Eco-Farming of 2,931,730,120 shares as at the date of the Agreement; (ii) the Consideration representing a premium of approximately 14.45% as compared with the monetary value of the Convertible Bonds of approximately HK$34,900,000 (including the principal amount and the interest accrued up to the date of the Agreement); and (iii) no significant improvement in the financial results of China Eco-Farming recorded for the three months ended 31 March 2013.

As it is the general practice of the Company to valuate the convertible instruments designated at financial assets at fair value through profit or loss in accordance with the applicable financial reporting standards for its quarterly/interim/annual results, the Company has also made reference to on the valuation report prepared by an independent valuer engaged by the Company for the purpose of ascertaining the fair value of the Convertible Bonds as at 30 June 2013 for the preparation of the 2013 interim results of the Group. According to such valuation report, the fair value of the Convertible Bonds as at 30 June 2013 was approximately HK$57,225,000 and the Consideration of HK$40,000,000 represents approximately 30% discount to the fair value of the Convertible Bonds. Although the Consideration is discounted against the fair value of the Convertible Bonds, the Company is of the view that the Disposal could allow the Company to realize its investment in the Convertible Bonds sooner, to enhance the Group's cash and banks position and to eliminate the uncertainty in relation to the risk of the Convertible Bonds as discussed above, and therefore the Company considers that the Consideration is fair and reasonable.

Conditions Precedent of the Agreement

Completion is conditional upon:

(a) the Independent Shareholders having passed the necessary resolutions to approve the Disposal, and all necessary consent, approval and authorisation by regulators pursuant to the GEM Listing Rules and any other rules and regulations which may be applicable to the Disposal having been obtained by the Vendor and remaining in full force and effect;

(b) the Vendor and the Purchaser having fulfilled and complied with the pre-completion undertakings as set out in the Agreement;

(c) the listing committee of the Stock Exchange not having withdrawn or revoked the listing of and permission to deal in the Conversion Shares;

(d) the Vendor's warranties in the Agreement remaining true and correct, and not misleading in all material respects;

(e) the China Eco-Farming Shares shall not be suspended from trading for a continuous period of 20 Business Days or more save and except any suspension of trading in relation to the Disposal; and

(f) the Vendor and the Purchaser having performed or complied, in all material respects, with their respective undertakings, covenants and agreements contained in the Agreement.

The Purchaser may waive all or any of the above conditions (save and except conditions (a) and (c) above) either in whole or in part at any time by notice in writing to the Vendor and the Vendor and the Purchaser shall use their respective best endeavours to ensure that the above conditions shall be fulfilled as soon as possible after the execution of the Agreement, and in any event, no later than the time referred to in the below paragraph.

Save as otherwise stated, if any of the conditions above shall not have been fulfilled by 5:00 pm on the Long Stop Date, the Agreement shall, unless the Vendor and the Purchaser agree in writing to postpone the Long Stop Date to another date (being a Business Day), automatically terminate and cease to be of any effect except for certain clauses in the Agreement which shall remain in force, and none of the Vendor or Purchaser shall have any claim of any nature or liabilities whatsoever against the other party save for any antecedent breaches of the terms of the Agreement.

Completion

Completion shall take place on the Completion Date (or at such other time as shall be mutually agreed in writing by the Vendor and the Purchaser).

INFORMATION OF THE CONVERTIBLE BONDS

Reference is made to the announcements of the Company dated 22 February 2013, 19 March 2013 and 30 April 2013 in relation to the subscription of the Convertible Bonds. The Convertible Bonds were issued on 30 April 2013. As at the Latest Practicable Date, the Vendor has not exercised any conversion rights attaching to the Convertible Bonds.

Set out below is a summary on the major terms of the Convertible Bonds:

Principal amount:	HK$34,500,000
Interest rate:	5% per annum on the outstanding principal amount of the Convertible Bonds
Maturity Date:	31 December 2016

Conversion Rights:	The holder of the Convertible Bonds (the "**Bondholder**") shall have the right, exercisable during the conversion period, to convert the whole or any part (in multiples of HK$500,000) of the outstanding principal amount of the Convertible Bonds held by such Bondholder into such number of the Conversion Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect on the date of conversion of the Convertible Bonds
Conversion Price:	HK$0.02 per Conversion Share
Conversion Period:	The period commencing from the issue date of the Convertible Bonds, being 30 April 2013, and ending on the date which falls on the fifth Business Day before the maturity date, both dates inclusive, provided that if China Eco-Farming fails to redeem any principal amount of the Convertible Bonds on the redemption date in accordance with the terms of the bond instrument (i.e. 31 December 2016), the conversion period shall continue until redemption in full occurs
Transferability:	The Convertible Bonds may (subject to the provisions in the Bond Instrument) be transferred to any person provided that where the Convertible Bonds are intended to be transferred to a connected person (as defined in the GEM Listing Rules) (other than the associates of the Bondholders), such transfer shall comply with the requirements under the GEM Listing Rules and/or requirements imposed by the Stock Exchange, if any

Limitation on Conversion:	China Eco-Farming shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the conversion rights attached to the Convertible Bonds, (a) less than 25% or the minimum prescribed percentage as set out in the GEM Listing Rules of China Eco Farming's issued shares would be held by the public immediately after the relevant exercise of conversion rights attached to the Convertible Bonds; and/or (b) the Bondholder and/or such parties acting in concert with it will be interested in 30% (or such amount as may from time to time be specified in the Hong Kong Codes on Takeovers and Mergers and Share Repurchases (the "**Takeovers Code**") as being the level for triggering a mandatory general offer) under the Takeovers Code

For further details on the terms of the Convertible Bonds, please refer to the announcement of the Company dated 22 February 2013.

INFORMATION OF CHINA ECO-FARMING

China Eco-Farming is a company continued into Bermuda with limited liability and its issued shares are listed on the GEM.

China Eco-Farming group is principally engaged in health care services, trading of ceramic products, property investment and one-stop value chain services.

The financial information extracted from the audited accounts of China Eco-Farming for the two financial years ended 31 December 2011 and 2012 was as follows:

	Year ended 31 December 2011 audited *(HK$'000)*	**Year ended 31 December 2012 audited** *(HK$'000)*
Revenue	27,223	20,798
Loss before taxation	12,636	21,046
Loss after taxation	12,658	21,046
Net Liabilities	17,427	17,398

The Vendor is at present holding 20.98% of the issued share capital of China Eco-Farming.

REASONS FOR THE DISPOSAL

The Company is an investment holding company. The Group is principally engaged in businesses of properties investments, securities trading and loan financing.

The Consideration represents a premium of 14.45% as compared to the principal amount of the Convertible Bonds of approximately HK$34,900,000 (together with the accrued interest of thereon up to 2 August 2013, being the date of the Agreement). In determining such premium, the Company has also considered (i) thin trading volume of China Eco-Farming Shares on the Stock Exchange, being approximately 2,000,000 shares per trading day on average over the 1-year period prior to the date of the Agreement, representing approximately 0.07% of the total number of issued shares of China Eco-Farming of 2,931,730,120 shares as at the date of the Agreement; (ii) the adjusted conversion price of HK$0.02, representing a discount of approximately 80% as compared to the adjusted average closing price of the China Eco-Farming Shares over the 1-year period prior to the date of the Agreement being approximately HK$0.10; and (iii) the possibility to realize the gain in the disposal of China Eco-Farming Shares upon conversion of the Convertible Bonds.

The calculation of the fair value of the Convertible Bonds has been made reference to certain statistics while the Company has placed an eye on the actual amount to be brought from the Disposal within a short period of time. In addition, the Disposal provided a chance for the Company to realize the Convertible Bonds at once despite the thin trading volume of the China Eco-Farming Shares. As such, the Company is of the view that the 30% discount to the fair value of the Convertible Bonds is fair and reasonable.

In view of the abovementioned, although the Disposal would deprive the Company of the benefit from the possible increase in China Eco-Farming Share's price upon conversion of the Convertible Bonds, taking into account of the 14.45% premium within a short period of time after issue of the Convertible Bonds on 30 April 2013 and the thin trading volume of China Eco-Farming Shares on the Stock Exchange, the Board considers that the Disposal is beneficial to the Group and provides the Group with a good opportunity to realize the Convertible Bonds and to strengthen the cash position of the Group. As such, the Board (excluding all independent non-executive Directors who will give their opinion after having considered the recommendation from the Independent Financial Adviser) considers that the terms of the Disposal, including the Consideration, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, it is expected that the value of convertible instruments designated at financial assets at fair value through profit or loss will be decreased by HK$40,000,000 and other receivable decreased by approximately HK$1,100,000, while the cash position of the Group will be increased by HK$39,100,000 (after deduction of expenses of approximately HK$900,000). There will be no financial impact on the Group's liabilities. Thus, there will be no material change in the net asset value of the Group.

As the carrying value of the Convertible Bonds is currently recorded at HK$40,000,000, subject to audit, it is estimated that the Group will not record a gain or loss from the Disposal. Upon Completion, it is estimated that the Group will record an expenses of approximately HK$900,000 in relation to the Disposal and a loss of approximately HK$1,100,000 for written-off of the accrued interest receivable on the Convertible Bonds.

Taking into account of the fair value of the Convertible Bonds as at 30 June 2013 as valued by an independent professional valuer of approximately HK$57,225,000, subject to audit, the loss on Disposal would be approximately HK$18,574,000 as calculated between the fair value of the Convertible Bonds of HK$57,225,000, and the Consideration of HK$40,000,000, the accrued interest of approximately HK$449,000 as at the date of the Agreement, and the estimated relevant expenses of HK$900,000.

USE OF PROCEEDS

It is expected that the net proceeds (after deducting relevant expenses) from the Disposal of approximately HK$39,100,000 will be used for general working capital and/or future investment of the Group.

As at the Latest Practicable Date, the Group has a cash and bank balance of approximately HK$38,000,000. As the Group has not decided on the specific use of the proceeds resulting from the Disposal at this stage and therefore no breakdown can be disclosed for the time being.

The Group has from time to time been reviewing and participating in negotiations for further business developments and/or investment opportunities according to the Group's business strategies and development needs and will apply the proceeds on such events when necessary and required. As at the Latest Practicable Date, no formal agreements have been reached in relation to such business developments and/or investment that are required to be disclosed pursuant to the GEM Listing Rules.

GEM LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Disposal exceeds 25% but is less than 75% for the Company, the Disposal constitutes a major transaction of the Company under the GEM Listing Rules and is subject to the requirements of reporting, announcement and the approval by the Shareholders under the GEM Listing Rules.

As at the Latest Practicable Date, the sole shareholder and sole director of the Purchaser is an associate of Ms. Yeung who is an executive Director, and thus a connected person of the Company under the GEM Listing Rules 1.01, 20.11(1) and 20.11(4). The Disposal constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules and is subject to the requirements of reporting, announcement and the approval by the Independent Shareholders under the GEM Listing Rules. Ms. Yeung has abstained from voting on the Board meeting for approving the Disposal.

GENERAL

An Independent Board Committee comprising all independent non-executive Directors has been established to (i) advise the Independent Shareholders as to whether the terms of the Agreement entered into for the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and whether the Disposal is in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote in respect of the Disposal after taking into account the recommendation of the Independent Financial Adviser appointed by the Company.

SGM

Set out on pages 48 and 49 of this circular is a notice convening the SGM which will be held at 2nd Floor, SBI Centre, Nos. 54-58 Des Voeux Road Central, Hong Kong on 8 January 2014 at 11:00 a.m., for the purpose of considering and, if thought fit, approving, among other things, the Disposal and the transactions contemplated thereunder. Ms. Yeung and her associates as well as any other Shareholders with material interest in the Disposal are requested to abstain from voting on the relevant resolution (as the case may be). As at the Latest Practicable Date, Ms. Yeung and, after reasonable enquires, her associates are not interested in any Shares. The Company is not aware of any other Shareholders who have material interest in the Disposal.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to attend and vote at such meeting, you are requested to complete and return the enclosed form of proxy to the head office and principal place of business of the Company in Hong Kong, 2nd Floor, SBI Centre, Nos. 54-58 Des Voeux Road Central, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 14 of the circular and the letter from Independent Financial Adviser on pages 15 to 27 of this circular which contain their advice to the Independent Board Committee and the Independent Shareholders regarding the Disposal and the transactions contemplated thereunder as well as the principal factors and reasons taken into consideration in arriving at their advice.

Having taken into account of the advice of the Independent Financial Adviser, the Independent Board Committee considers that the Disposal is entered into upon normal commercial terms following arm's length negotiations between the parties thereto, and that the terms of the Disposal are fair and reasonable so far as the Independent Shareholders are concerned, and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Disposal and the transactions contemplated thereunder.

The Directors consider that the Disposal and the transactions contemplated thereunder, are fair and reasonable and the entering into of the Agreement are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Disposal and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Chinese Strategic Holdings Limited
Chan Shui Sheung Ivy
Executive Director

华人策略控股有限公司

Chinese Strategic Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 8089)

18 December 2013

To the Independent Shareholders

Dear Sirs or Madams,

MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE DISPOSAL OF CONVERTIBLE BONDS

We have been appointed as the Independent Board Committee to advise you in connection with the Agreement, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 18 December 2013 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms of the Disposal and the advice of CLC International in relation thereto as set out from pages 15 to 27 of the Circular, we are of the view that the terms of the Disposal are on normal commercial terms and are fair and reasonable and are in the interest of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Agreement.

Yours faithfully,
For and on behalf of
Independent Board Committee

Ms. Yuen Wai Man **Mr. Wang Chin Mong** **Mr. Chow Fu Kit Edward**

Independent Non-executive Directors

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser which has been prepared for the purpose of inclusion in this circular.

CLC INTERNATIONAL LIMITED
創 僑 國 際 有 限 公 司

18 December 2013

MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE DISPOSAL OF CONVERTIBLE BONDS

Dear Sirs/Madams,

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to make recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Disposal, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in this circular of the Company dated 18 December 2013 (the "**Circular**"), of which this letter forms part. Terms used herein should have the same meanings as those defined in the Circular unless the context otherwise requires.

As set out in the Letter from the Board, on 2 August 2013, the Vendor, a wholly-owned subsidiary of the Company, agreed to dispose the Convertible Bonds with the principal amount of HK$34,500,000 to the Purchaser for a cash Consideration of HK$40,000,000.

As one of the applicable percentage ratios in respect of the Disposal exceeds 25% but is less than 75% for the Company, the Disposal constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is subject to the requirements of reporting, announcement and the approval by the Shareholders under the GEM Listing Rules. Furthermore, given that the sole shareholder and the sole director of the Purchaser is an associate of Ms. Yeung who is an executive Director, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Therefore, the Disposal is subject to the requirements of reporting, announcement and the approval by the Independent Shareholders under the GEM Listing Rules.

The Disposal is conditional upon the approval of the Independent Shareholders by way of poll at the SGM. Ms. Yeung and her associate will abstain from voting in relation to the Disposal at the SGM.

The Independent Board Committee, comprising Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward (all being the independent non-executive Directors), has been established to (i) advise the Independent Shareholders as to whether the terms of the Agreement entered for the Disposal are fair and reasonable so far as the Independent Shareholders are concerned and whether the Disposal is in the interests of the Company and the Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote in respect of the Disposal.

BASIS OF OUR ADVICE

In formulating our advice and recommendation, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided by the Directors and the management of the Company. We have assumed that (i) such information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the date of the Circular; (ii) all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquires and careful considerations; and (iii) no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to suspect that any relevant information is misleading or has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation.

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In formulating our view in respect of the Disposal, we have taken into consideration the following principal factors and reasons:

1. Background of the Company, China Eco-Farming and the Disposal

Background of the Company

The Company is an investment holding company. The Group is principally engaged in businesses of properties investments, securities trading and loan financing. As at the Latest Practicable Date, the Company held approximately 20.98% of the issued share capital of China Eco-Farming.

Background of China Eco-Farming

China Eco-Farming is a company continued into Bermuda with limited liability and its issued shares are listed on GEM. China Eco-Farming together with its subsidiaries (the "**China Eco-Farming Group**") is principally engaged in health care services, trading of ceramic products, property investment and one-stop value chain services.

Background of the Convertible Bonds

On 22 February 2013, China Eco-Farming and the Vendor, a wholly-owned subsidiary of the Company, entered into an agreement pursuant to which the Vendor agreed to subscribe the Convertible Bonds (the "**Subscription**") after arm's length negotiations. For details, please refer to the announcement of the Company dated 22 February 2013. The Convertible Bonds were issued on 30 April 2013.

As at the Latest Practicable Date, the Vendor has not exercised any conversion rights attaching to the Convertible Bonds.

Major terms of the Convertible Bonds

Principal amount	:	HK$34,500,000
Interest rate	:	5% per annum on the outstanding principal amount of the Convertible Bonds
Maturity Date	:	31 December 2016
Conversion Rights	:	The bondholder (the "**Bondholder**") of the Convertible Bonds shall have the right, exercisable during the conversion period, to convert the whole or any part (in multiples of HK$500,000) of the outstanding principal amount of the Convertible Bonds into such number of the Conversion Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect on the date of conversion of the Convertible Bonds
Conversion Price	:	HK$0.02 per Conversion Share

Conversion Period	:	The period commencing from the issue date of the Convertible Bonds, being 30 April 2013, and ending on the date which falls on the fifth Business Day before the maturity date, both dates inclusive, provided that if China Eco-Farming fails to redeem any principal amount of the Convertible Bonds on the redemption date in accordance with the terms of the bond instrument (i.e. 31 December 2016). The conversion period shall continue until redemption in full occurs
Limitations on Conversion	:	China Eco-Farming shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the conversion rights, (a) less than 25% or the minimum prescribed percentage as set out in the GEM Listing Rules of China Eco Farming's issued shares would be held by the public immediately after the relevant exercise of conversion rights; and/or (b) the Bondholder and/or such parties acting in concert with it shall be interested in 30% or more (or such amount as may from time to time be specified in the Hong Kong Codes on Takeovers and Mergers and Share Repurchases (the "**Takeovers Code**") as being the level for triggering a mandatory general offer) under the Takeovers Code

For further details for the terms of the Convertible Bonds, please refer to the announcement of the Company dated 22 February 2013.

2. Financial information of the China Eco-Farming Group

Set out below is the financial information on the China Eco-Farming Group as extracted from the annual report and interim report of China Eco-Farming for the year ended 31 December 2012 and the six months ended 30 June 2013 respectively:

	Year ended 31 December 2011 (audited) *HK$'000*	**Year ended 31 December 2012 (audited)** *HK$'000*	**Six months ended 30 June 2013 (unaudited)** *HK$'000*
Revenue	27,223	20,798	9,644
Net loss for the year/period	(12,658)	(21,046)	(12,188)
Net cash used in operating activities	(11,411)	(14,250)	(11,289)

	As at 31 December 2011 (audited) HK$'000	As at 31 December 2012 (audited) HK$'000	As at 30 June 2013 (unaudited) HK$'000
Total non-current assets	13,947	7,894	7,787
Total current assets	6,645	5,806	16,294
Total assets	20,592	13,700	24,081
Total current liabilities	(34,819)	(31,098)	(5,738)
Total non-current liabilities	(3,200)	–	(17,696)
Total liabilities	(38,019)	(31,098)	(23,434)
Net current assets/(liabilities)	(28,174)	(25,292)	10,556
Net assets/(liabilities)	(17,427)	(17,398)	647
Cash and bank balance	662	79	11,368

The turnover of the China Eco-Farming Group decreased from approximately HK$27.2 million for the year ended 31 December 2011 to approximately HK$20.8 million for the year ended 31 December 2012, representing a decrease of approximately 23.6%. The net loss of the China Eco-Farming Group exaggerated from approximately HK$12.7 million for the year ended 31 December 2011 to approximately HK$21.0 million for the year ended 31 December 2012.

It is noted that there was no significant improvement in the financial results of China Eco-Farming for the six months ended 30 June 2013. The China Eco-Farming Group recorded a turnover of approximately HK$9.6 million for the six months ended 30 June 2013, representing a decrease of approximately 20.3% as compared with the same period in 2012 and a net loss of approximately HK$12.2 million for the six months ended 30 June 2013.

Moreover, the China Eco-Farming Group recorded net current liabilities of approximately HK$28.2 million and HK$25.3 million as at 31 December 2011 and 2012 respectively, and net liabilities of approximately HK$17.4 million as at 31 December 2011 and 2012. The total assets of the China Eco-Farming Group decreased from approximately HK$20.6 million as at 31 December 2011 to approximately HK$13.7 million as at 31 December 2012. On one hand, the financial positions of the China Eco-Farming Group improved as at 30 June 2013 with net current assets of approximately HK$10.6 million and net assets of approximately HK$0.6 million. Such improvement in financial positions was mainly attributable to the issuance of the Convertible Bonds on 30 April 2013. The issuance of Convertible Bonds resulted in (i) the increase in cash and bank balances of approximately HK$22.7 million; (ii) the repayment of outstanding borrowings and loans of approximately HK$11.0 million; (iii) the liability component of the Convertible Bonds of approximately HK$4.3 million categorized as non-current liability; and (iv) the equity component of the Convertible Bonds of approximately HK$30.2 million which would be reflected in the reserve of China Eco-Farming when the Convertible Bonds are issued. However, it is noted that the non-current liabilities of the China Eco-Farming Group significantly increased from nil as at 31 December 2012 to approximately HK$17.7 million as at 30 June 2013, mainly attributable to the increase in borrowings, loan from former fellow subsidiary and shareholder and issuance of the Convertible Bonds.

It is also noted that the China Eco-Farming Group recorded a net cash used in operating activities for the six months ended 30 June 2013 of approximately HK$11.3 million.

Given the limited net assets of the China Eco-Farming Group and its loss making results for the past few years, we consider that increasing the Company's interest in China Eco-Farming by converting the Convertible Bonds into Conversion Shares as an investment may not be in the best interests of the Company and the Shareholders as a whole.

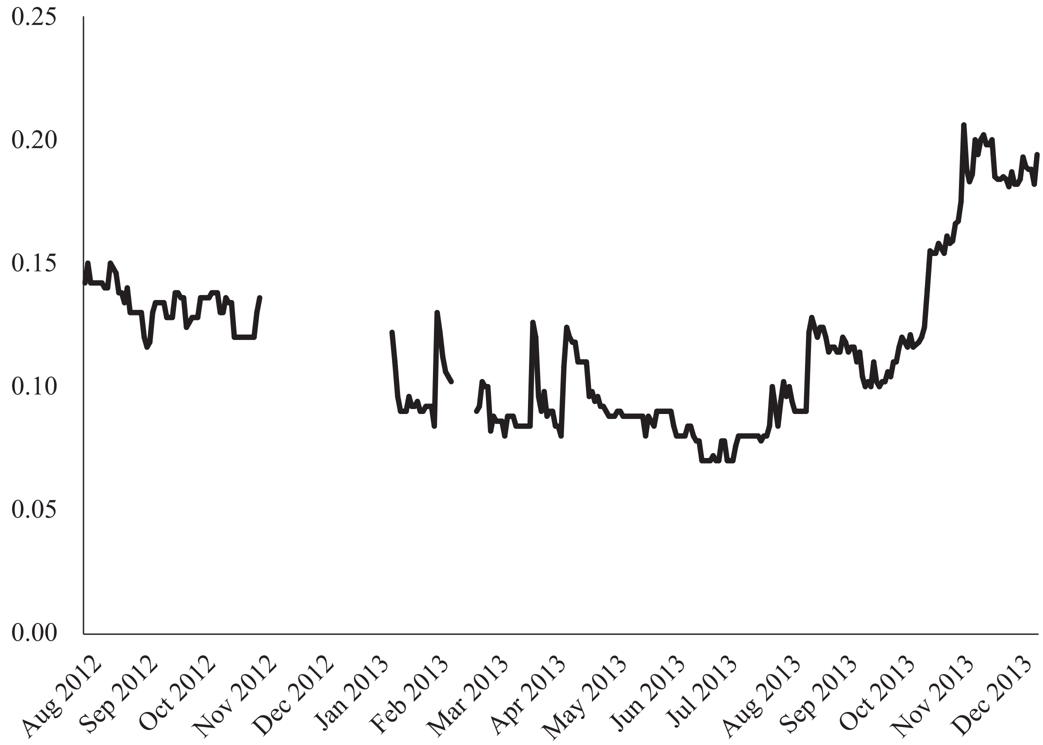
Furthermore, in view that the financial results and positions of the China Eco-Farming Group has not significantly improved up to 30 June 2013, we consider that there is uncertainty about the China Eco-Farming's abilities to redeem the Convertible Bonds, constituting the default risk of the Convertible Bonds.

3. Shares performance of China Eco-Farming

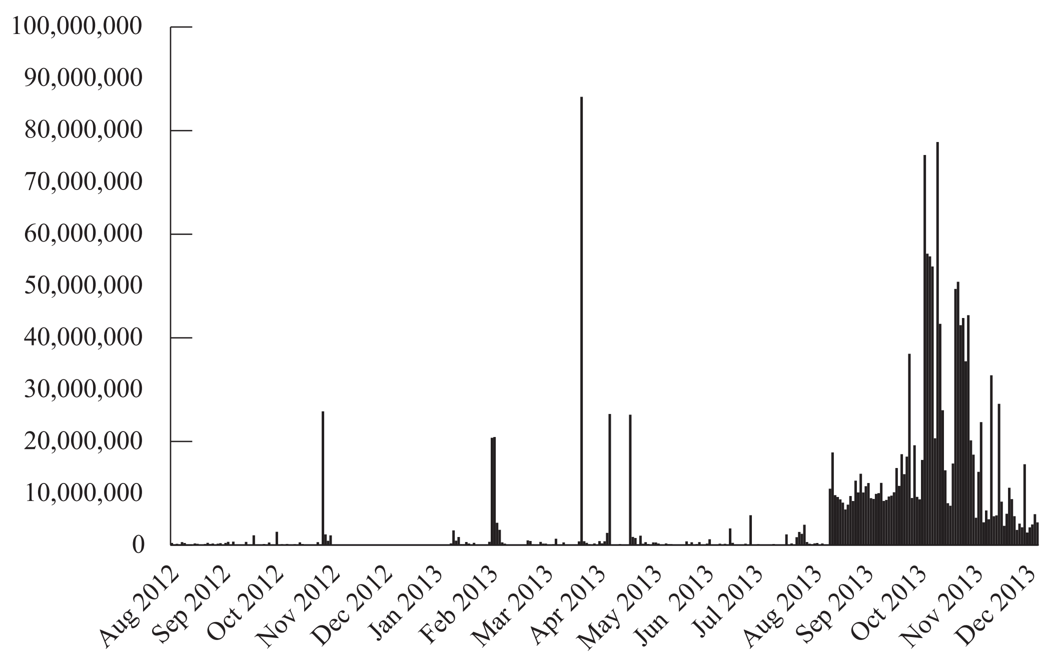
The share performance of China Eco-Farming Shares is reviewed to assess whether, as compared to the Disposal, it is in the best interest of the Company and the Shareholders as a whole to realize the gain from the Convertible Bonds by converting the Convertible Bonds and disposing the Conversion Shares in the equity market.

With reference to the circulars involving issue of shares, consideration shares and convertible securities that are recently published on the website of the Stock Exchange since September 2013, it is noted that 25 circulars included analysis on the share performance, 17 of which were based on review periods covering 12 months prior to the date of the respective agreements. As such, a 12-month review period is considered to be a market practice and is applied for analysis of the share performance of China Eco-Farming Shares, covering the period from 1 August 2012 to 16 December 2013, being full 12-month period prior to the date of the Agreement up to the Latest Practicable Date (the "**Review Period**"). The China Eco-Farming Shares were suspended trading from 1 November 2012 to 8 January 2013, and from 8 February 2013 to 22 February 2013. On 30 August 2013, China Eco-Farming proposed a share consolidation on the basis of every two then issued and unissued shares of HK$0.01 each consolidated into one Share of HK$0.02 each, the share consolidation was approved by the Shareholders on 10 October 2013 and effective on 11 October 2013. The closing prices and trading volume of the Shares prior to 11 October 2013 as illustrated below have been adjusted to reflect the effect of the share consolidation. The following charts illustrated (i) the daily closing price movement of China Eco-Farming Shares; and (ii) the daily trading volume movement of China Eco-Farming Shares as quoted on the Stock Exchange during the Review Period.

Daily closing price of China Eco-Farming Shares



Daily trading volume of China Eco-Farming Shares



The table below sets out the average daily closing price of the China Eco-Farming Shares as quoted on the Stock Exchange in each month during the Review Period.

Average daily closing price of the China Eco-Farming Shares

Month	**Average daily closing price** *(per China Eco-Farming Shares)*	**Average daily trading volume** *(China Eco-Farming Shares)*
2012		
August	HK$0.137	181,087
September	HK$0.131	305,000
October	HK$0.129	1,594,500
November	Suspended	Suspended
December	Suspended	Suspended
2013		
January (1 – 8 January being suspended)	HK$0.097	1,642,929
February (8 – 22 February being suspended)	HK$0.103	3,358,889
March	HK$0.090	4,542,275
April	HK$0.101	2,884,000
May	HK$0.088	261,571
June	HK$0.081	306,842
July	HK$0.078	456,818
August	HK$0.105	4,683,333
September	HK$0.109	10,855,100
October	HK$0.131	30,129,262
November	HK$0.186	19,666,667
December (up to the Latest Practicable Date)	HK$0.186	5,456,182

As illustrated above, the China Eco-Farming Shares decreased from the daily closing price of HK$0.15 per China Eco-Farming Share recorded on 2 August 2012 to the lowest daily closing price of HK$0.07 per China Eco-Farming Share recorded on 25 to 28 June 2013 and 3 to 4, 9 to 11 July 2013 , and then bounced to HK$0.194 per China Eco-Farming Share on 16 December 2013.

During the Review Period, the average daily trading volume of China Eco-Farming Shares was approximately 5.9 million China Eco-Farming Shares, representing approximately 0.34% of the issued share capital of China Eco-Farming as at the Latest Practicable Date.

In view of the thin trading volume of the China Eco-Farming Shares as illustrated above, there may not be sufficient open market for trading of the China Eco-Farming Shares. Thus we consider that (i) the Company may not readily realize the gains from the Convertible Bonds by converting the Convertible Bonds and disposing the Conversion Shares in the equity market; and (ii) China Eco-Farming may encounter difficulties in raising fund through the equity market to refinance or redeem the Convertible Bonds upon its maturity.

Moreover, the terms of the Convertible Bonds limit the conversion up to the level not triggering the mandatory general offer under the Takeovers Code. As at the Latest Practicable Date, the Company held 368,953,215 China Eco-Farming Shares, representing approximately 20.98% of the issued share capital of China Eco-Farming. As such, the Company may require to convert the Convertible Bonds and dispose the Conversion Shares in multiple batches so as to maintain its shareholding in China Eco-Farming below 30%, lengthening the process for the Company to realize its gains from the Convertible Bonds.

4. Consideration for the Disposal

Details of the terms of the Agreement are set out in the paragraph headed "**The Agreement**" in the section headed "**Letter from the Board**".

As set out in the Letter from the Board, the Consideration amounted to HK$40,000,000 and will be settled by the Purchaser in cashier order or cheque issued by solicitors firm upon Completion.

The Consideration represents (i) a discount of approximately 30.1% to the fair value of the Convertible Bonds as at 30 June 2013 of approximately HK$57,225,000; (ii) a premium of approximately 14.5% as compared with the bonds value of the Convertible Bonds of approximately HK$34.9 million (including the principal amount and the interest accrued up to 2 August 2013, the date of the Agreement) ; and (iii) a premium of approximately 12.4% as compared with the bonds value of the Convertible Bonds of approximately HK$35.6 million (including the principal amount and the interest accrued up to the Latest Practicable Date).

The fair value of the Convertible Bonds as at 30 June 2013 was approximately HK$57,225,000. As set out in the valuation report on the Convertible Bonds (the "**Valuation Report**") in Appendix II to this circular, the fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is also noted in the Valuation Report that the valuation of the Convertible Bonds was based on several assumptions including but not limited to (i) China Eco-Farming can keep abreast of the latest technological development such that the competitiveness and profitability of China Eco-Farming can be sustained; (ii) the credit rating of China Eco-Farming is assumed to be CCC; (iii) the availability of finance will not be a constraint on the operations of China Eco-Farming; (iv) industry trends and market conditions for related industries will not deviate significantly from economic forecasts; and (v) there are no commissions or other transaction costs in buying or selling the stock or option. For details of the assumptions made for the valuation of the Convertible Bonds, please refer to the Valuation Report. However, such assumptions are, by their nature, subject to risks and uncertainties. Actual results may differ materially from the assumptions. Furthermore, as advised by the independent valuer, the fair value of the Convertible Bonds was calculated mainly based on (i) the discount of the conversion price to the then market price of the China Eco-Farming Shares; (ii) the present value of the Convertible Bonds discounted at the rate of interest at the date of issue with reference to the market rate for financial instruments of comparable credit status; and (iii) a discount to the present value of the Convertible Bonds in view of the credit risk of China Eco-Farming. It is noted that the aggregate trading volume of the China Eco-Farming Shares during the Review Period (covering over 15 months) was approximately 1,691.4 million China Eco-Farming Shares, representing approximately 98.1% of the total number of the Conversion Shares if so converted from the Convertible Bonds. As such, the Group may take months to fully realize the gains from the Convertible Bonds by disposing the Conversion Shares into the equity market in multiple batches. Such lengthy process may (i) increase the relevant transactions cost; and (ii) exert pressure on the share price of China Eco-Farming Shares over a long period of time. As such, the fair value of the Convertible Bonds may not be realized in full in reality when converting the Convertible Bonds and disposing the Conversion Shares in the equity market. In view of such uncertainty and that (i) the fair value of the Convertible Bonds is largely based on the theoretical gain in book value of the Consideration Shares with several assumptions made in the Valuation Report; and (ii) the Company can record a gain on Disposal within a short period of time, we considered that the Consideration representing a 30% discount to the fair value of the Convertible Bonds to be fair and reasonable.

In addition, as one of the alternatives to the Disposal, the Company may increase its investment interest in China Eco-Farming up to approximately 29.94% pursuant to the terms of the Convertible Bonds. The conversion of the Convertible Bonds in the amounts of HK$4.5 million into 225.0 million Conversion Shares will result in a gain in book value of the Conversion Shares. Based on the average monthly closing price of approximately HK$0.186 per China Eco-Farming Shares in November 2013, the gain in book value would be approximately HK$37.4 million (being the difference between the average closing price and the conversion price times the amount of the Conversion Shares). Together with the outstanding principle amount of HK$30.0 million, the aggregate value/gain being generated or arising from the Convertible Bonds would be approximately HK$67.4 million, representing a premium of approximately 68.5% to the Consideration of HK$40.0 million. However, it is concerned that such premium of approximately 68.5% is arrived at based on (i) the theoretical gain in book value of the Consideration Shares which is subject to the then share price performance of the China Eco-Farming Shares and the market conditions at the time of conversion; and (ii) the prompt repayment of the outstanding principle (and the accrued interests) which may be subject to default risk as discussed under the paragraph headed "Financial Information of the China Eco-Farming Group" in this section above. In view of the above and that the Company can record a real gain in cash on Disposal (instead of a gain in book value) within a short period of time, we considered that the Consideration to be fair and reasonable.

Taking into account that (i) the high fair value of the Convertible Bonds was mainly attributed to the "theoretical" deep discount of approximately 71.4% of the conversion price as compared to the then share price of the China Eco-Farming Shares and is based on the theoretical gain in book value of the Consideration Shares which may not be achieved in reality; (ii) the existing level of share price of the China Eco-Farming Shares may not be sustainable because of its thin trading volume; and (iii) the Consideration represents a premium of approximately 12.4% as compared with the bonds value of the Convertible Bonds as at 16 December 2013, we are of the view that Consideration is fair and reasonable so far as the Shareholders concerned.

Moreover, in view that (i) the Disposal can eliminate the uncertainty in relation to the default risk of the Convertible Bonds as discussed under the paragraph headed "Financial Information of the China Eco-Farming Group" in this section above; (ii) the Disposal would result in a satisfactory return considering the short period of time from the date of issuance of the Convertible Bonds; and (iii) the Consideration can enhance the Group's cash and banks positions upon Completion and provide additional funds for the Group's future investment, we consider that the Disposal is in the interests of the Company and the Shareholders as a whole.

5. Potential dilution to the shareholding of the Company on China Eco-Farming upon exercise of the Convertible Bonds

As at the Latest Practicable Date, the Company indirectly held approximately 20.98% of the issued share capital of China Eco-Farming. Upon Completion, the Convertible Bonds will be held by the Purchaser. The following table shows the shareholding structure of China Eco-Farming (i) as at the Latest Practicable Date; and (ii) upon Completion and full conversion of the Convertible Bonds by the Purchaser assuming no other shares will be issued or repurchased by the Company (for illustrative purpose only).

Shareholders of China Eco-Farming	**As at the Latest Practicable Date**		**Upon Completion and full conversion of the Convertible Bonds by the Purchaser**	
	Number of shares	*Approximate %*	*Number of shares*	*Approximate %*
The Vendor	368,953,215	20.98	368,953,215	10.59
The Purchaser	–	–	1,725,000,000	49.51
Other shareholders	1,389,911,845	79.02	1,389,911,845	39.90
Total	1,758,865,060	100.00	3,483,865,060	100.00

Assuming that all the Convertible Bonds are converted to the China Eco-Farming Shares, the shareholding of the Company in China Eco-Farming will be diluted from approximately 20.98% to approximately 10.59%. However, having taken into account that (i) China Eco-Farming was an associate of the Company; and (ii) the financial results of the China Eco-Farming Group especially its loss making position in recent years are yet to improve, we consider that the contribution from the China Eco-Farming Group to the results of the Company is not material due to the loss making position of China Eco-Farming Group and that the potential dilution effect arising from the Disposal may not have a material adverse financial impact to the Company.

6. Financial effect of the Disposal to the Group

The Board considers that the Disposal is beneficial to the Group and provides the Group with a good opportunity to realize the Convertible Bonds and to strengthen the cash position of the Group.

Net assets

As set out in the unaudited interim report of the Company for the six months ended 30 June 2013, the net assets value of the Group was approximately HK$777.1 million. As set out in the letter from the Board, upon Completion, the value of the convertible instruments designated at financial assets at fair value through profit or loss and the other receivable are expected to decrease by HK$40 million and approximately HK$1.1 million respectively, whereas the Group's cash and bank equivalent is expected to increase by the net proceeds from the Disposal of approximately HK$39.1 million. Thus, there will be a slight decrease in the net assets value.

Liquidity and working capital

As at 30 June 2013, the Group had cash and bank equivalents of approximately HK$26.6 million. Upon Completion, the Group's cash and bank equivalent will increase by the net proceeds from the Disposal of approximately HK$39.1 million. Accordingly, the cash position of the Group will be enhanced upon Completion.

Earnings

As set out in the letter from the Board, taking into account of the fair value of the Convertible Bonds as at 30 June 2013 as valued by an independent professional valuer of approximately HK$57.2 million, subject to audit, the loss on the Disposal would be approximately HK$18.6 million.

Having taken into account that (i) the Group's cash position can be enhanced whereas there will be only a slight decrease in the net assets value of the Group upon Completion; and (ii) a loss on the Disposal mainly arising from the difference between the fair value and the Consideration, not monetary loss, we consider that the Disposal is in the interest of the Company and the Shareholders as a whole. However, it should be noted that aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be after the Completion.

RECOMMENDATION

Having taken into account that (i) the recent financial results of the China Eco-Farming Group; (ii) the share performance and the trading volume of the China Eco-Farming Shares during the Review Period; (iii) different alternatives to the Disposal available for the Company to realize the gains from the Convertible Bonds including (a) holding the Convertible Bonds until maturity, (b) converting the Convertible Bonds into Conversion Shares and holding as investment; and (c) converting the Convertible Bonds into the Conversion Shares and disposing the same in the equity market; (iv) the Consideration representing a premium of 12.4% as compared with the bonds value of the Convertible Bonds up to 16 December 2013; (v) the immaterial potential dilution to the shareholding of the Company on China Eco-Farming; and (vi) the enhancement of the Group's cash position and a gain on the Disposal upon Completion, we consider the terms of the Agreement are fair and reasonable so far as the Independent Shareholders are concerned and the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the relevant resolution at the SGM to approve the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
CLC International Limited
Anthony Lai
Managing Director

1. FINANCIAL PROSPECT OF THE GROUP

For the nine months ended 30 September 2013, the Group recorded a turnover of approximately HK$83,018,000, representing a decrease of approximately 25.2% as compared with the last corresponding period. The decrease in turnover was mainly attributable to decrease in volume in securities trading.

The loss attributable to the owners of the Company for the nine months ended 30 September 2013 aggregated at approximately HK$13,166,000. The basic loss per share for the nine months ended 30 September 2013 was approximately HK1.95 cents.

As at 30 September 2013, the Group held properties in Hong Kong and in Mainland China for investment purposes with total value amounted to approximately HK$214,884,000. Through renting out of the properties, the Group recorded a rental income of approximately HK$2,121,000 for the nine months ended 30 September 2013. In spite of the current stringent control measures in both Hong Kong and Mainland China, the Group remains confident of the longer term prospects for the property markets. The Board will continue to prudently implement its investment strategies for the benefit of the Group and all its shareholders.

Segmental turnover of the securities trading business for the nine months ended 30 September 2013 was HK$74,345,000. The Group recorded a loss arising from the fair value changes of investments held for trading of approximately HK$14,662,000 and a gain on disposals of investments held for trading of approximately HK$17,051,000. As at 30 September 2013, the Group held investments held for trading of approximately HK$105,110,000. Given the uncertainty in the global financial market, the management will remain cautious in its investment strategy.

The loan financing business generated an interest income of approximately HK$6,552,000 to the Group for the nine months ended 30 September 2013 representing a decrease of approximately 36.3%, as the management has adopted a conservative approach in loan financing business.

The Group will continue to adopt a positive but prudent approach in managing its financial resources and towards its investment strategy in exploring the feasibility of expansion into other business segments.

Upon Completion, the Group will continue to develop and operate its principal business and seek for suitable investment opportunities.

2. INDEBTEDNESS STATEMENT

As at the close of business of 31 October 2013, being the latest practicable date for the purpose of ascertaining information in relation to this indebtedness statement, the Group had liabilities of (i) bonds with principal amount of approximately HK$10,000,000, (ii) bank and other borrowings of approximately HK$29,200,000 which was secured by investment properties of the Group.

Save for the abovementioned or otherwise disclosed herein, apart from the intra-group liabilities and normal trade payables, the Group did not have, at the close of business of 31 October 2013, any further significant liabilities including debt securities issued and outstanding, or authorized or otherwise created but unissued, or term loans or bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, obligations under hire purchase contracts or finance, guarantees, or other material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that, in the absence of unforeseen circumstances and taking into consideration the financial resources available to the Group, including its existing cash and bank balance, the Group will have sufficient working capital for its present requirements, which is for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, the date to which the latest published audited financial information of the Company were made up.

GRANT SHERMAN

Unit 1005, AXA Centre,
151 Gloucester Road,
Wanchai, Hong Kong

16 July 2013

The Board of Directors
Chinese Strategic Holdings Limited
2/F, SBI Centre,
54-58 Des Voeux Road Central,
Hong Kong

Dear Sirs or Madams,

In accordance with your instruction, we have made an appraisal of the fair value of the convertible bonds issued by China Eco-Farming Limited ("CEFL") with principal amount of HK$34.5 million (the "CB") to Top Status International Limited, the wholly owned subsidiary of Chinese Strategic Holdings Limited (the "Company") on 30 April 2013.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

This letter identifies the property appraised, describes the basis of valuation and assumptions, explains the valuation methodology utilized, and presents our conclusion of value.

The purpose of this appraisal is to express an independent opinion of the fair value of the CB as at 30 June 2013 (the "Appraisal Date").

It is our understanding that this appraisal is used for financial reporting purposes which might be incorporated in or used in connection with a public document to be issued to the shareholders of Chinese Strategic Holdings Limited only.

INTRODUCTION

The CB

China Eco-Farming Limited ("CEFL") has issued the CB in accordance with the following principal terms:

Principal Amount:	HK$34,500,000
Interest:	5% per annum payable annually
Conversion Price:	HK$0.01 per Conversion Share (subject to anti-dilution adjustments)
Conversion Period:	The period commencing from the first issue date of the convertible bonds and ending on the date which falls on the fifth business day before the maturity date
Maturity Date:	31 Dec 2016
Redemption:	On the Maturity Date, all of the remaining outstanding CB will either be redeemed or converted at the discretion of CEFL i.e. the issuer
Ranking:	Shares issued upon exercise of the conversion rights shall rank pari passu in all respects with all other existing shares outstanding at the date of conversion
Transferability:	CB is transferrable

The Company

The Company whose shares are traded on the Hong Kong Stock Exchange (stock code: 8089), formerly known as China Railway Logistics Limited was incorporated in 2000 and is headquartered in Hong Kong. The Company and its subsidiaries are principally engaged in businesses of properties investments, securities trading and loan financing.

CEFL

CEFL is a public company whose shares are traded on the Hong Kong Stock Exchange, (stock code: 8166). CEFL and its subsidiaries (collectively, the "CEFL Group") is principally engaged in the health care services, trading of ceramic products, property investment and the one-stop value chain services.

BASIS OF VALUATION AND ASSUMPTIONS

The CB

We have appraised the CB on the basis of fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The determination of the fair value of the CB requires consideration of all pertinent factors affecting the credit risks of CEFL and its abilities to generate future cash flows to repay interests and principal of the CB. In arriving at our conclusion of value, we have considered the following principal factors:

– the nature of the business and the history of CEFL from its inception;

– The financial condition and profitability of CEFL;

– the economic outlook in general and the specific economic and competitive elements affecting CEFL's business, its industries and markets;

– past operating results of CEFL;

– operating performance of public companies which are engaged in a similar business to that of CEFL; and

– financial and business risks of CEFL.

Due to the changing environment in which CEFL are operating, a number of assumptions have to be established in order to sufficiently support our concluded fair value of the CBs and the CB Option. The major assumptions adopted in this appraisal are:

– there will be no major changes in the existing political, legal, and economic conditions in countries in which CEFL operates which would materially affect the economic benefits attributable to CEFL;

– there will be no major changes in the current taxation law in the countries in which CEFL operates, and that the rates of tax payable will remain unchanged and all applicable laws and regulations will be complied with;

– there will be no material changes in the industries CEFL is engaged in, which would materially affect the revenues, profits, cash flows attributable to CEFL;

– exchange rates and interest rates will not differ materially from those presently prevailing;

– CEFL can keep abreast of the latest technological development such that its competitiveness and profitability can be sustained;

– the average/median option-adjusted spreads of comparable corporate bonds issued by companies with credit ratings similar to those of CEFL sufficiently reflects the credit risks associated with the CB;

– the credit rating of CEFL are assumed to be CCC as at the Appraisal Date based on latest annual reports of CEFL with reference to 2011 Adjusted Key U.S. And European Industrial And Utility Financial Ratios published by Standard & Poor's Credit Stats;

– the availability of finance will not be a constraint on CEFL's operations; and

– industry trends and market conditions for related industries will not deviate significantly from economic forecasts.

In the fair value calculation of the CB, we have made the following assumptions:

1. Yield-to-maturity in continuous compounding of Hong Kong Exchange Fund Notes with the time-to-maturity similar to that of the CB is adopted as the risk-free rate in our valuation model as at the Appraisal Dates;

2. The closing stock price of CEFL as at the Appraisal Date is adopted as the applicable stock price for valuation;

3. The credit spreads of CEFL is estimated by the option-adjusted spreads of comparable corporate bonds issued by companies with credit ratings similar to that of CEFL as at the Appraisal Date;

4. Interests, if any, received by the CB holders are re-invested at the risk-free rates during the lives of the CB;

5. Annual compounding is adopted in this appraisal;

6. Historical annualized price volatilities of stock price of CEFL as at the Appraisal Date is deemed to be appropriate to serve as the expected volatilities of the stock of CEFL (Source: Bloomberg);

7. The dividend yield is assumed to be zero based on the zero dividend payout for last three financial years;

8. As at the Appraisal Date, the CB is considered deep-in-the-money. In substance, the CB holder is considered holding primary shares upon their conversion. The value from conversion of the CB is unlikely to be realized in full due to thin trading volume of CEFL's shares. We assume a 25% liquidity discount which is consistent with the understanding of the Management about the market conditions if the whole CB is disposed in full. This assumption is by our judgment. Before determining the liquidity discount, we have made reference to the discount of share placements and right issues transactions one year from the Appraisal Date;

9. All participants in the market are considered to be willing buyers or sellers; and

10. Numbers of trading days and weeks per year are 260 and 52 respectively.

Major parameters assumed and adopted in this appraisal

Risk-free Rate	0.70%
Applicable Stock Price	HK$ 0.035
Volatility	81.16%
Dividend Yield	0.00%
Credit Spread	13.97%

For the purpose of this valuation, we were furnished with records and documents by the management of the Company. We have reviewed and examined the said information and have no reason to doubt the truth and accuracy of the information contained therein. We have also consulted sources of financial and business information to supplement the information provided by the management of the Company. In arriving at our opinion of value, we have relied to a very considerable extent upon such data, records, documents, financial and business information from other sources, as well as a number of assumptions that are subjective and uncertain in nature. Any variation to these assumptions could seriously affect the fair value of the appraised CB.

VALUATION METHODOLOGY

The CB

The valuation of the CBs is based on the assumptions mentioned above as at the Appraisal Date. The value of the CB is modeled by drawing a stock price binomial tree, which is a common approach for pricing convertible bond. Stock prices are generated from the Appraisal Date to maturity and the possible decisions of the CB issuer and the CB holder are considered at each node.

After calculating the payoff at each tree node, the value of a CB will be formulated by rolling back each tree node payoff to its initial starting node as at the Appraisal Date. The value of the CB is arrived at through the decision at each node. At each tree node, the node value will be calculated depending on whether the call, put or mandatory conversion option(s), if any, will be exercised by the parties of the CB or the issuer. If the decision chosen is early conversion, the value of the CB at that node will be the sum of interests paid, if any, and the as-if-converted stock value at the simulated, adjusted with the share price of the issuer. Otherwise, if the decision chosen is held (i.e. no conversion or redemption), the roll-back procedure will be applied to arrive at the value of the CB at that node. The discount rate for the option is the risk free rate while the required discount rate for the liability component is the sum of the applicable risk free rate and the credit spread of the issuer as at the Appraisal Date.

The fair value of a CB is basically composed of two parts, namely: (1) the expected present value of principal and interest payments from the Appraisal Date to the Maturity Date of the CB (the "Liability Component"); and (2) the option value derived from the right to convert the CB into the shares of the issuer and the redemption rights, if any, of the CB (the "Option Component").

The Liability Component

The fair value of the Liability Component is first developed through the application of the income approach technique known as the discounted cash flow method. A discount rate is the expected rate of return (or yield) that an investor would have to give up by investing in the subject investment instead of other available alternative investments that are comparable in terms of risks and other investment characteristics. The indicated value of the Liability Component of the CB is developed by discounting future cash out flows required to service the principal and interest payments of the CB at appropriate discount rates that reflect the return required by CB holders for investing in similar financial instruments.

Since the CB in this valuation are denominated in Hong Kong dollar, the yield-to-maturities in continuous compounding of Hong Kong Exchange Fund Notes as at the Appraisal Dates are used as the base rates, which are then adjusted for the credit spreads of the issuers.

The Option Component

Binomial Option Pricing Model

The approach adopted here is the binomial option pricing model developed by Cox, Ross, and Rubinstein in 1979. The model is one of a set of numerical procedures used in derivatives pricing, which is more versatile and especially applicable for pricing American options, exotic derivatives securities and real option. The model is based on a discrete-time framework to trace the evolution of the option's key underlying variable via a binomial lattice (tree), for a given number of time steps between the Appraisal Dates and the Maturity Date. Each node of the lattice represents a possible price of the underlying asset and its derivatives at a particular point of time.

The assumptions underlying the binomial option pricing model are as follows:

1. The short-term interest rate (both risk-free and credit risk-adjusted) are known and are constant through time;

2. There is no arbitrage opportunity;

3. The stock price follows a random walk in continuous time with a rate of variance in proportion to the square of the stock price;

4. The distribution of possible stock price at the end of any finite interval is log-normal;

5. The variance of the rate of return on the stock is constant;

6. The early exercise value of the option and redemption value are examined at every node of the lattice;

7. There are no commissions or other transaction costs in buying or selling the stock or option; and

8. The tax rate, if any, is identical for all transactions and all market participants.

The Lattice

By adopting the stock price of the issuer as at the Appraisal Date, we first model the movement of each of the stock prices S by a geometric random walk. At each interval S can increase to S_u with a probability p, or fall to S_d with probability $1\text{-}p$. The parameters u and d are chosen so that the geometric random walk is consistent with the geometric Brownian motion described by the stochastic differential equation:

$$\frac{dS}{S} = \mu\, dt + \sigma\, dZ$$

Here dZ is a random shock that represents the uncertainty in stock returns over the infinitesimal time interval dt. All rates are based on continuous compounding.

$$S \begin{array}{l} \nearrow \; S_u \text{ with probability } p \\ \searrow \; S_d \text{ with probability } 1\text{-}p \end{array}$$

The probability p is set as 0.5 and factors u and d are represented by the following formulas,

$$u = e^{(r_f - q - \frac{\sigma^2}{2})\, dt + \sigma \sqrt{dt}}$$

$$d = e^{(r_f - q - \frac{\sigma^2}{2})\, dt - \sigma \sqrt{dt}}$$

In order to incorporate each of the issuer's stock prices with the price dilution impact arising from the issuance of the conversion shares, if any, for comparison with the conversion price of the CB, simulated stock prices of the issuer are adjusted by the following formula:

$$\frac{V_{t,n} + MKX}{N + MK}$$

where $V_{t,n}$ is the value of the issuer's equity of node n at time t in the stock price tree, which is reflected by the simulated stock prices, M is the number of the options, K is the conversion ratio, X is the prevailing conversion price of the CB and N is the issuer's number of outstanding stocks.

We can examine the CB holder and the issuer's actions to be taken (the "Decision") to determine the value of each node. In this appraisal, at maturity, all of the remaining outstanding CB will either be redeemed or converted at the discretion of the issuer. So at maturity, the

Decision will be the minimum of conversion value or redemption value. At the nodes before maturity, the Decision is solely based on maximizing the value by the CB holder between: (1) the benefit arising from holding the CB until the next node (the "Hold Benefit") and (2) the intrinsic value coming from exercising the options (the "Exercise Benefit"). The Decision at the nodes before maturity of the tree (i.e. Maturity Date) shall be expressed as: (1) When the payoff from the Hold Benefit is the greatest, the CB holder should hold the CB and let the embedded option expires (i.e. payoff is zero) and (2) When the payoff from the Exercise Benefit is the greatest, the CB holder should convert the outstanding CB into conversion shares.

The value of the CB is arrived at through the Decision at each node. If the Decision is conversion, the value of the CB at any node will be the sum of interests paid, if any, and the as-if-converted stock value at the simulated, adjusted stock price of the issuer. If the Decision is redemption, the value of the CB at any node will be the sum of interests paid, if any, and the redemption amount. By applying the roll-back procedure at nodes where the Decision is considered to be held by the CB holders, the calculated value of the CB is equal to $E_N = e^{-rdt}[pE_u + (1\text{-}p)E_d]$, where E_u and E_d representing the value of the CB after an up and down move of the stock price of the issuer respectively, plus interests paid and accrued, if any. After the value of the CB is reached, the Option Component is then derived by subtracting the Liability Component from the value of the CB.

CONCLUSION OF VALUE

Based upon the investigation and analysis outlined above and on the appraisal method employed, it is our opinion that the fair values of the CB as at the Appraisal Date is reasonably stated as follows:

Appraisal Date	30 Jun 2013
Fair value of the Liability Component (HK$)	19,583,500
Fair value of the Option Component (HK$)	37,641,500
Total fair value (HK$)	57,225,000

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the Company, CEFL, their subsidiaries and the CB appraised, or the value reported.

Respectfully submitted,
For and on behalf of
GRANT SHERMAN APPRAISAL LIMITED

Keith C.C. Yan, ASA	Kelvin C.H. Chan, FCCA, CFA
Managing Director	Director

Note: Mr. Keith C.C. Yan is an Accredited Senior Appraiser (Business Valuation) of the American Society of Appraisers and he has been conducting business valuation of various industries and intangible assets valuation in Hong Kong, the PRC and the Asian region for various purposes since 1988. Mr. Kelvin C.H. Chan is a CFA Charterholder and a fellow member of the Association of Chartered Certified Accountants. He has been working in the financial industry since 1996, with experiences covering the area of corporate banking, equity analysis and business valuation.

Investigation and report by:
Keith C.C. Yan, ASA
Kelvin C.H. Chan, FCCA, CFA
Max K.P. Tsang, CFA, FRM

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executives

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company 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), as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provision of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in rule 5.46 of the GEM Listing Rules were as follows:

Long position in shares and underlying shares of the Company

Name of Director	Type of interests	Number of issued ordinary shares held	Approximate percentage of the issued share capital
Chan Shui Sheung Ivy	Beneficial owner	60,000	0.01%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to rule 5.46 of the GEM Listing Rules.

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, persons (other than a director or chief executive of the Company) who had interests or short positions directly or indirectly in 1% or more of the Company's shares and/or underlying shares recorded in the register kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long position in shares and underlying shares of the Company

Name of Shareholder	Capacity	Number of underlying shares	Approximate percentage of interests
Chinese Capital Management Limited	Beneficial owner	134,000,000 *(Note)*	19.83%

Note: Reference is made to the announcement of the Company dated 6 June 2013 in relation to the placing of warrants. Pursuant to the corporate substantial shareholder notice filed by Chinese Capital Management Limited on 2 July 2013, these underlying shares represent the subscription rights attaching to the warrants.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons, other than a director or chief executive of the Company, who had an interest or a short position in 1% or more of the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company or the Stock Exchange.

3. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date:

(i) none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2012 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and

(ii) none of the Directors was materially interested in any contract or arrangement entered into with any member of the Group subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

4. EXPERT AND CONSENT

The following is the qualification of the professional advisers who have given an opinion or advice contained in this circular:

Name	Qualification
CLC International Limited	a corporation licensed to carry out regulated activities type 1 (dealing in securities) and type 6 (advising on corporate finance) under the SFO
Grant Sherman Appraisal Limited	Professional Valuer

As at the Latest Practicable Date, each of the experts above has given and has not withdrawn its consent to the issue of this circular with the inclusion of its letter or report, and reference to its names in the form and context in which it appears.

As at the Latest Practicable Date, none of the experts above had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

None of the experts above had any direct or indirect interests in any assets which have since 31 December 2012 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. COMPLIANCE ADVISER

The Board appointed Proton Capital Limited to be its compliance adviser ("**Compliance Adviser**") for a term from 11 September 2013 to 10 September 2015.

As updated and notified by the Compliance Adviser, none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at the Latest Practicable Date pursuant to Rule 6A.32 of the GEM Listing Rules.

6. SERVICE CONTRACT OF DIRECTORS

None of the Directors has any existing or proposed service contract with the Group which is not expiring or terminable by the Group within one year without payment of any compensation, other than statutory compensation.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, the Compliance Adviser and their respective associates had any interest in a business which compete or may compete either directly or indirectly with the business of the Group.

8. LITIGATIONS

With reference to the litigations of the Group, Fameway Finance Limited ("**Fameway**"), a wholly-owned subsidiary of the Company carrying on business as a licensed money lender in Hong Kong, has obtained judgments in five of its claims against the borrowers concerned. Fameway is now seeking legal advice on enforcement.

Meanwhile, the Company and King Perfection Limited have obtained judgment in a separate matter but one of the judgment debtors has been wound up. The Company and King Perfection Limited are seeking legal advice on enforcement and other relevant issues.

As previously reported, a writ of summons was issued in the High Court of Hong Kong ("**the Court**") on 26 April 2013 against the Company as the 2nd Defendant as well as another company which was previously a wholly-owned subsidiary of the Company as the 1st Defendant claiming for, *inter alia,* an aggregate sum of RMB5,188,732,500. Under legal advice, the Company has made an application to strike out the alleged claims set out in the writ of summons on 31 July 2013. The Court has given directions for the filing of evidence and further conduct of the application on 6 September 2013. The Company has filed its supporting evidence and will fix the hearing date of the application accordingly.

The Company will announce or disclose the conduct and/or outcome of litigation matters wherever appropriate or necessary.

9. MATERIAL CONTRACTS

The members of the Group have entered into the following contracts within two years immediately preceding the date of this circular and up to the Latest Practicable Date which are contracts not being in the ordinary course of business of the Company or may be material:

(1) the placing agreement dated 21 November 2011 (as supplemented by supplemental placing agreements dated 14 March 2012 and 19 April 2012) entered into between the Company and FT Securities Limited as placing agent in relation to a placing of a maximum of 135,000,000 new shares of the Company at a placing price of HK$0.21 per share. The placing agreement was lapsed on 18 May 2012;

(2) the agreement for sale and purchase dated 19 December 2011 entered into between Charm State International Limited, a wholly-owned subsidiary of the Company, and Worldsky Limited in relation to the acquisition of the property located at No.8 Plunkett's Road, the Peak, Hong Kong at a total consideration of HK$170,980,000. The proposed resolutions in relation to the agreement were not approved by the Shareholders at the special general meeting of the Company on 9 January 2012 and the agreement lapsed;

(3) the sale and purchase agreement dated 20 January 2012 entered into between Sina Winner Investment Limited, a wholly-owned subsidiary of the Company, Mr. Ng Wai Huen and Fortune Lead Holdings Limited ("**Fortune Lead**") in relation to the acquisition of 30% equity interests in Fortune Lead for a consideration of HK$40,000,000. The agreement was terminated on 8 January 2013;

(4) the conditional placing agreement dated 12 March 2012 between Top Status International Limited ("**Top Status**"), a wholly-owned subsidiary of the Company, China Eco-Farming and FT Securities Limited and the conditional subscription agreement dated 12 March 2012 between Top Status and China Eco-Farming were entered into in relation to the placing of a maximum of 280,000,000 China Eco-Farming shares held by Top Status at HK$0.068 per share and the subscription of the exact number of new China Eco-Farming shares by Top Status at HK$0.068 per share;

(5) the subscription agreement dated 26 March 2012 between Best Marvel Investment Limited (as subscriber), a wholly-owned subsidiary of the Company, and Sun Famous Investment Limited ("**Sun Famous**") (as issuer) and Mr. Wong Sat Pan Sdanty, the sole legal and beneficial owner of Sun Famous were entered into with respect to subscription of 99.9% share capital of Sun Famous upon completion of the subscription, at subscription price of HK$999;

(6) the deed dated 30 April 2012 between Top Mega Asia Limited (as assignee), a wholly-owned subsidiary of the Company, and PME Investments (BVI) Co., Ltd. (as assignor), were entered into with respect to the assignment and transfer of the promissory note in the principal amount of HK$30,680,415 issued by Chinese Global Investors Group Limited (a company incorporated in Singapore with limited liability and the issued shares of which are listed on the Catalist of the Singapore Exchange), for a consideration of HK$26,000,000;

(7) the sale and purchase agreement dated 30 April 2012 between Rich Best Asia Limited ("**Rich Best**") (as vendor), a wholly-owned subsidiary of the Company, and Best Access Investment Holdings Limited (as purchaser), were entered into with respect to the disposal of the entire 100% equity interest in CentreWorld Holding Ltd. ("**CentreWorld**") (a wholly-owned subsidiary of Rich Best) together with the loan in the amount of HK$43,383,486 due from CentreWorld to Rich Best as at 30 April 2012, for the aggregate consideration of HK$300,001. CentreWorld, together with its four wholly-owned subsidiaries and its 40% owned associate, are principally engaged in the business of computer telephony;

(8) The option placing agreement dated 30 May 2012 between the Company (as issuer) and FT Securities Limited (as placing agent) in relation to a placing of up to a total of 27 options of the Company at a premium of HK$50,000 per option. Upon exercise of each of the option, the option holder is entitled to subscribe for the convertible bonds of the Company in the principal amount of HK$1,000,000 at the subscription price of HK$1,000,000;

(9) the subscription agreement dated 30 October 2012 between Miracle Stand Limited (as subscriber), a wholly-owned subsidiary of the Company, and Teamedics Enterprise (Holdings) Co., Limited ("**Teamedics Enterprise**", as issuer), and Mr. Wong Chi To, Alex (as guarantor), holder of 100% equity interests in Teamedics Enterprise, were entered into with respect to the subscription of convertible bonds in the principal amount of HK$5,900,000 issued by the Teamedics Enterprise. The subscription was by way of procuring the Hongkong and Shanghai Banking Corporation Limited to grant and provide to Teamedics Enterprise and/or Teamedics International Company Limited ("**Teamedics International**") credit facilities of HK$5,050,000 and RMB30,000;

(10) the conditional subscription agreement dated 4 December 2012 (subject to condition precedents of convertible bonds placing agreement dated 26 July 2012 entered into between Long Success International (Holdings) Limited ("**Long Success**") and FT Securities Limited) between First Champion Worldwide Limited (as subscriber), a wholly-owned subsidiary of the Company, and Long Success (as issuer), the shares of which are listed on GEM, were entered into with respect to the subscription of convertible bonds in the principal amount of HK$20,000,000 issued by Long Success;

(11) the disposal agreement dated 11 January 2013 between First Champion Worldwide Limited (as vendor), a wholly-owned subsidiary of the Company, and Mr. Lin Jiantuan (as purchaser) were entered in relation to the disposal of convertible bonds issued by Long Success in the principal amount of HK$20,000,000 for the cash consideration of HK$21,000,000;

(12) the subscription agreement dated 30 January 2013 between Miracle Stand Limited (as subscriber), a wholly-owned subsidiary of the Company, and Teamedics Enterprise (as issuer), and Mr. Wong Chi To, Alex (as guarantor), holder of 100% equity interests in Teamedics Enterprise, were entered into with respect to the subscription of convertible bonds in the principal amount of HK$8,000,000 issued by Teamedics Enterprise. The subscription was by way of procuring the Nanyang Commercial Bank Limited to grant and provide to Teamedics Enterprise and/or Teamedics International a credit facility of HK$8,000,000;

(13) the subscription agreement dated 22 February 2013 between Top Status (as subscriber), and China Eco-Farming (as issuer), were entered into with respect to the subscription of convertible bonds in the principal amount of HK34,500,000 issued by China Eco-Farming;

(14) a compliance adviser agreement dated 23 April 2013 entered into between the Company and Guangdong Securities Limited and the agreement was terminated with effect from 13 August 2013;

(15) the placing agreement dated 27 May 2013 between the Company (as issuer) and FT Securities Limited (as placing agent) in relation to a placing of a maximum of 135,000,000 warrants of the Company at the issue price of HK$0.01 per warrant. The placing was completed on 6 June 2013;

(16) a compliance adviser agreement dated 11 September 2013 entered into between the Company and Proton Capital Limited; and

(17) the Agreement.

Save for the aforementioned, no contract, not being contracts in the ordinary course of business carried on by the Company or any of its subsidiaries, has been entered into by members of the Group within the two years immediately preceding the date of this circular.

10. AUDIT COMMITTEE

The audit committee of the Company comprises Ms. Yuen Wai Man, Mr. Wang Chin Mong and Mr. Chow Fu Kit Edward, all being independent non-executive Directors. The audit committee reviews and provides supervision over the financial reporting process and internal control of the Group.

Ms. Yuen Wai Man ("**Ms. Yuen**"), aged 41, graduated from the University of Hong Kong with a degree in Business Administration in 1994. She is the fellow member of The Association of Chartered Certified Accountants, fellow member of The Hong Kong Institute of Certified Public Accountants and overseas member of The Chinese Institute of Certified Public Accountants. Prior to joining the Company, Ms. Yuen worked in accounting and auditing area for over 18 years. Since 1 November 2012, she has been in the post of an independent non-executive director of The Hong Kong Building and Loan Agency Limited (Stock Code: 145) which is a company listed on the Main Board of the Stock Exchange.

Mr. Wang Chin Mong ("**Mr. Wang**"), aged 41, is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wang has more than 16 years of experience in the fields of auditing, accounting and finance.

Mr. Chow Fu Kit Edward ("**Mr. Chow**"), aged 45, has over 18 years of experience in power industry and is specialised in business strategy development, change management, materials procurement and marketing for power company. He holds a Master degree of Engineering in Mechanical Engineering from The University of Hong Kong and a Master degree of Business Administration from The Chinese University of Hong Kong. He is a Chartered Engineer, Member of Institution of Mechanical Engineers and The Hong Kong Institution of Engineers. Mr. Chow was an independent non-executive director of PME Group Limited (Stock Code: 379), a company listed on the Main Board of the Stock Exchange, during the period from 17 August 2007 to 31 January 2012. PME Group Limited is currently interested in 9.96% of the issued share capital of the Company.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business in Hong Kong of the Company at 2nd Floor, SBI Centre, Nos. 54-58 Des Voeux Road Central, Hong Kong during normal business hours from 9 a.m. to 5 p.m. on any Business Day from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the material contracts disclosed in the item 9 of this Appendix III;

(c) the letter from the Independent Board Committee, the text of which is set out in this circular;

(d) consolidated audited annual reports of the Company for the 2 years ended 31 December 2011 and 2012;

(e) the Agreement;

(f) the letter from CLC International, the text of which is set out in this circular;

(g) this circular;

(h) the written consent referred to in the paragraph headed "**EXPERT AND CONSENT**" in this appendix; and

(i) the valuation report on Convertible Bonds, the text of which is set out in this circular.

12. GENERAL

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The head office and principal place of business in Hong Kong of the Company is situated at 2nd Floor, SBI Centre, Nos. 54-58 Des Voeux Road Central, Hong Kong.

(c) The principal share registrar and transfer agent office of the Company is MUFG Fund Services (Bermuda) Limited at 26 Burnaby Street, Hamilton HM 11, Bermuda.

(d) The branch share registrar and transfer agent office of the Company in Hong Kong is Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

(e) Mr. Li Chak Hung ("**Mr. Li**") has been appointed as the company secretary of the Company. Mr. Li is a member of Hong Kong Institute of Certified Public Accountants and has taken no less than 15 hours of relevant professional training for the year ended 31 December 2012. On 1 February 2013, Ms. Cheung Ching Man, delegated by an external service provider, has been appointed as a joint company secretary of the Company. Mr. Li will continue to serve as the other joint company secretary of the Company. The external service provider's primary contact person at the Company is Mr. Li.

(f) The compliance officer of the Company is Ms. Yeung Sau Han Agnes, who is also an executive Director. Ms. Yeung graduated from the Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) with a higher diploma in fashion design. Prior to joining the Company, Ms. Yeung worked in various garment companies for over 19 years and is currently the director of certain subsidiaries of the Company.

(g) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

華人策略控股有限公司
Chinese Strategic Holdings Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 8089)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of the shareholders of Chinese Strategic Holdings Limited (the "**Company**") will be held at 2nd Floor, SBI Centre, Nos. 54-58 Des Voeux Road Central, Hong Kong on 8 January 2014 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(a) subject to the fulfillment of the conditions therein, the conditional sale and purchase agreement (the "**Agreement**") dated 2 August 2013 and entered into between Top Status International Limited as the vendor and Sino Coronet Limited as the purchaser in relation to the disposal of convertible bonds in the principal amount of HK$34,500,000 for the cash consideration of HK$40,000,000 and the transactions contemplated thereunder (a copy of which is marked "**A**" and produced to the SGM and signed by the chairman of the SGM for identification purpose) be and are hereby ratified, confirmed and approved; and

(b) any one or more Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the implementation of and giving effect to the Agreement."

By Order of the Board
Chinese Strategic Holdings Limited
Chan Shui Sheung Ivy
Executive Director

Hong Kong, 18 December 2013

Registered Office in Bermuda:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
2nd Floor, SBI Centre,
Nos. 54-58 Des Voeux Road Central,
Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he/she so wish, and in such event, the form of proxy shall be deemed to be revoked.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the head office and principal place of business of the Company in Hong Kong, 2nd Floor, SBI Centre, Nos. 54-58 Des Voeux Road Central, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

4. In the case of joint holders of Shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto, but if more than one such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.