



華人策略控股有限公司

Chinese Strategic Holdings Limited

*(incorporated in Bermuda with limited liability)*

Stock Code: 8089

First Quarterly Report

**2018**

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*Hong Kong Exchanges and Clearing Limited and the Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (the “**Directors**”) of Chinese Strategic Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (“**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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

*This report will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days and on the Company website at [www.chinesestrategic.com](http://www.chinesestrategic.com) from the date of its publication.*

The board of directors (the “**Board**”) of Chinese Strategic Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2018, together with the comparative figures for the corresponding period in year 2017, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	<b>Three months ended</b>	
		<b>2018</b>	2017
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
Revenue	3	<b>10,568</b>	1,910
Cost of sales		<b>(9,068)</b>	(67)
Gross profit		<b>1,500</b>	1,843
Other income and gains		<b>1</b>	64
Administrative expenses		<b>(21,122)</b>	(16,016)
Changes in fair values in investment properties, net		<b>1,100</b>	2,730
Changes in fair values of investments held for trading, net		<b>(13,120)</b>	(10,669)
Loss on disposals of investments held for trading, net		<b>(13,570)</b>	(19,080)
Changes in fair values of convertible instruments designated as financial assets at fair value through profit or loss, net		<b>79</b>	2,738
Gain on redemption of convertible instruments designated as financial assets at fair values through profit or loss		-	1,333
Gain on disposal of available-for-sale financial assets		-	1,108
Loss on disposal of subsidiaries		<b>(1,653)</b>	-
Loss on disposal of an associate		-	(767)
Share of loss of an associate		-	(3)
Share of (loss) profit of a joint venture		<b>(235)</b>	944
Operating loss		<b>(47,020)</b>	(35,775)
Finance costs	4	<b>(5,454)</b>	(5,136)
Loss before tax		<b>(52,474)</b>	(40,911)
Income tax expenses	5	-	-
Loss for the period	6	<b>(52,474)</b>	(40,911)

	Notes	Three months ended 31 March	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
<b>Other comprehensive income (expense)</b>			
<b><i>Items that may be reclassified subsequently to profit or loss:</i></b>			
Exchange differences arising on translation of foreign operations		4	(2)
Other comprehensive expense for the period, net of income tax		4	(2)
Total comprehensive expense for the period		<b>(52,470)</b>	(40,913)
(Loss) profit for the period attributable to:			
Owners of the Company		<b>(52,667)</b>	(41,086)
Non-controlling interests		<b>193</b>	175
		<b>(52,474)</b>	(40,911)
Total comprehensive (expense) income attributable to:			
Owners of the Company		<b>(52,663)</b>	(41,088)
Non-controlling interests		<b>193</b>	175
		<b>(52,470)</b>	(40,913)
			(Restated)
Loss per share	8		
Basic (HK cents)		<b>(25.47) cents</b>	(35.76) cents
Diluted (HK cents)		<b>N/A</b>	N/A

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	Attributable to owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2017 (audited)	1,149	3,087,530	7,914	15,137	24,304	(8,923)	(2,601,482)	525,629	30,233	555,862
(Loss) profit for the period	-	-	-	-	-	-	(41,086)	(41,086)	175	(40,911)
Other comprehensive (expense) income for the period	-	-	-	-	-	(2)	-	(2)	-	(2)
Total comprehensive (expense) income for the period	-	-	-	-	-	(2)	(41,086)	(41,088)	175	(40,913)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	-	-	-	-	(24,304)	-	24,304	-	-	-
At 31 March 2017 (unaudited)	1,149	3,087,530	7,914	15,137	-	(8,925)	(2,618,264)	484,541	30,408	514,949
<b>At 1 January 2018 (audited)</b>	<b>2,068</b>	<b>3,168,665</b>	<b>7,914</b>	<b>11,547</b>	<b>-</b>	<b>2,806</b>	<b>(2,684,354)</b>	<b>508,646</b>	<b>30,640</b>	<b>539,286</b>
(Loss) profit for the period	-	-	-	-	-	-	(52,667)	(52,667)	193	(52,474)
Other comprehensive (expense) income for the period	-	-	-	-	-	4	-	4	-	4
Total comprehensive (expense) income for the period	-	-	-	-	-	4	(52,667)	(52,663)	193	(52,470)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	10	10
At 31 March 2018 (unaudited)	2,068	3,168,665	7,914	11,547	-	2,810	(2,737,021)	455,983	30,843	486,826

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL RESULTS

## 1. COMPANY INFORMATION

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**Exchange**”) since 18 May 2000. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is located at 2nd Floor, Lee Kum Kee Central, 54-58 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding, and the principal activities of its subsidiaries are properties investments, securities trading, loan financing and trading business.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of the Company.

## 2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial results for the three months ended 31 March 2018 have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules.

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

The accounting policies and methods of computation used in preparing the condensed consolidated financial results for the three months ended 31 March 2018 are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2017 (the “**2017 Financial Statements**”), except for the new and revised HKFRSs (“**New HKFRSs**”) issued by HKICPA which have become effective in this period as detailed in notes of the 2017 Financial Statements. The Directors believe that the application of the New HKFRSs has no material impact on the unaudited condensed consolidated financial results for the three months ended 31 March 2018.

### 3. REVENUE

Revenue represents the aggregate of rental income, interest income from loan financing, sales of goods and dividend income from investments held for trading during the period. The following is an analysis of the Group's revenue:

	Three months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Rental income	663	651
Interest income from the provision of loan financing	455	1,259
Sales of goods	9,450	–
Dividend income from investments held for trading	–	–
	<b>10,568</b>	1,910

### 4. FINANCE COSTS

	Three months ended 31 March	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Interests on:		
Bank borrowings	124	152
Other loans	3,758	3,655
Bond payables	939	939
Obligations under finance leases	12	15
Margin accounts	621	375
	<b>5,454</b>	5,136

## 5. INCOME TAX EXPENSES

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the three months ended 31 March 2018 and 31 March 2017.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both period ended 31 March 2018 and 2017.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

## 6. LOSS FOR THE PERIOD

	<b>Three months ended 31 March</b>	
	<b>2018</b>	2017
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Loss for the period has been arrived at after charging (crediting):		
Staff costs including directors' emoluments:		
Salaries and allowances	<b>7,663</b>	6,742
Contributions to retirement benefits scheme	<b>178</b>	139
	<b>7,841</b>	6,881
Depreciation of plant and equipment	<b>698</b>	641
Amortisation of prepaid lease payment	<b>97</b>	97
Minimum lease payments under operating leases	<b>1,063</b>	1,715
Gross rental income	<b>(663)</b>	(651)
Less: outgoings (included in cost of sales)	<b>68</b>	67
Net rental income	<b>(595)</b>	(584)

## 7. DIVIDEND

No dividend was paid or proposed for ordinary shares of the Company during the three months ended 31 March 2018 and 31 March 2017, nor has any dividend been proposed since 31 March 2018 and up to the date of this report.



## 8. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	<b>Three months ended 31 March</b>	
	<b>2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2017 (Unaudited) HK\$'000
<b>Loss</b>		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<b>(52,667)</b>	(41,086)
	<b>'000</b>	'000 (Restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>206,778</b>	114,878
Effect of dilutive potential ordinary shares: – Share options	<b>N/A</b>	N/A
Weighted average number of ordinary shares for the purpose of diluted loss per share	<b>206,778</b>	114,878

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the effect of open offer on 26 June 2017 and the share consolidation on 27 June 2017.

The denominator for the purpose of calculating basic and diluted loss per share for the three months ended 31 March 2017 has been restated to reflect the effect of the open offer and the share consolidation.

The computation of diluted loss per share for the three months ended 31 March 2018 and 31 March 2017 does not assume the exercise of the Company's share options, since it would result in a decrease in loss per share for the period which is regarded as anti-dilutive.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Performance

For the three months ended 31 March 2018, the Group recorded a revenue of approximately HK\$10,568,000 (three months ended 31 March 2017: approximately HK\$1,910,000), representing an increase of approximately 453.3% as compared with the last corresponding period. The increase in revenue was mainly due to a new segment of trading business launched in the last quarter of 2017.

Administrative expenses for the three months ended 31 March 2018 was approximately HK\$21,122,000 (three months ended 31 March 2017: approximately HK\$16,016,000), representing an increase of 31.9% as compared with the last corresponding period. The increase in expenses was mainly due to increase in consultancy and professional fees expenses, as well as staff costs.

The Group incurred finance costs of approximately HK\$5,454,000 for the period ended 31 March 2018 (three months ended 31 March 2017: approximately HK\$5,136,000), which mainly comprised interest on interest bearing bank borrowing and other borrowings, margin accounts and bonds.

The loss attributable to the owners of the Company for the three months ended 31 March 2018 aggregated at approximately HK\$52,667,000 (three months ended 31 March 2017: approximately HK\$41,086,000). Loss for the period was mainly attributable to loss on disposals of investments held for trading of approximately HK\$13,570,000 and loss arising from fair value changes of investments held for trading of approximately HK\$13,120,000 and finance costs of approximately HK\$5,454,000. The basic loss per share for the three months ended 31 March 2018 was HK25.47 cents (three months ended 31 March 2017: HK35.76 cents (Restated)).

### Business Review and Outlook

The Group recorded a rental income of approximately HK\$663,000 for the three months ended 31 March 2018 (three months ended 31 March 2017: approximately HK\$651,000) through properties leasing. All the properties are for residential use and have committed tenants normally for two years. Rental income provided steady cash flow over the period, and this trend is expected to continue. During the period under review, the Group subscribed 990,000 new shares at a subscription price of HK\$16,830,000 of a company incorporated in Hong Kong, representing 99% of its enlarged issued share capital. Its principal asset is a residential property in Hong Kong valued at approximately HK\$48,210,000. The management remains cautiously optimistic about the property market.

As at 31 March 2018, the Group had investments held for trading amounted to approximately HK\$181,504,000, representing 23.2% of the total assets of the Group (31 December 2017: approximately HK\$204,232,000). During the period under review, the Group recorded a loss arising from the fair values changes of investments held for trading of approximately HK\$13,120,000 (three months ended 31 March 2017: approximately HK\$10,669,000) and a loss on disposals of investments held for trading of approximately HK\$13,570,000 (three months ended 31 March 2017: approximately HK\$19,080,000). The Group held certain unlisted instruments classified as convertible instruments designated as financial assets at fair value through profit or loss, amounted to approximately HK\$27,528,000 as at 31 March 2018 (31 December 2017: approximately HK\$27,449,000). The Group will remain both prudent and cautious in the securities investment business with the aim of achieving healthy investment returns.

The performance of loan financing business was not satisfactory facing the difficulties in expanding the customer base during the period under review. As compared with the same period last year, the interest income dropped by 63.9% from approximately HK\$1,259,000 to approximately HK\$455,000. The Group will explore the opportunity to further develop loan financing business.

The Group diversified its revenue by launching trading business in the last quarter of 2017. The revenue and operating profit of tea leaves trading were approximately HK\$9,450,000 and HK\$226,000 respectively for the three months ended 31 March 2018. The Group will continue to explore other potential trading products with reasonable returns.

### **Fund Raising Activities**

On 29 January 2018, the Company and FT Securities Limited (the “**Placing Agent**”) entered into a placing Agreement (the “**Placing Agreement**”) pursuant to which the Company proposed to offer the subscription of up to 40,000,000 placing shares (the “**Placing Shares**”) at the placing price of HK\$4 per Placing Share under specific mandate and appoint the Placing Agent on sole and exclusive basis to place and to procure subscriptions for the Placing Shares on a best-effort basis, not less than six places.

As the conditions precedent to the Placing Agreement were not fulfilled on 29 March 2018, the Placing Agreement lapsed thereon.

Details are set out in the announcements of the Company dated 29 January 2018 and 29 March 2018.

### **Liquidity and Financial Resources**

The Group principally finances its operations through a combination of shareholders' equity, internally generated cash flows and borrowings.

The Group had cash and cash equivalent of approximately HK\$26,774,000 (31 December 2017: approximately HK\$49,146,000), interest-bearing borrowings of approximately HK\$194,831,000 (31 December 2017: approximately HK\$139,226,000) and bond payables of HK\$50,000,000 (31 December 2017: HK\$50,000,000).

As at 31 March 2018, the gearing ratio (measured as total liabilities to total assets) was approximately 37.7% (31 December 2017: approximately 30.7%).

### **Capital Structure**

As at 31 March 2018 and 31 December 2017, the Company's issued share capital was HK\$2,067,775, divided into 206,777,513 shares of HK\$0.01 each.

### **Capital Commitments**

As at 31 March 2018 and 31 December 2017, the Group did not have any capital commitments.

### **Contingent Liabilities**

As at 31 March 2018 and 31 December 2017, the Group did not have any material contingent liability.

## Charges on Assets

As at 31 March 2018, investment properties and certain investments held for trading with an aggregate carrying value of approximately HK\$292,564,000 (31 December 2017: approximately HK\$258,126,000) have been pledged to banks and other financial institutions to secure the credit facilities granted to the Group.

## Significant Investment

Save as disclosed in this report, the Group did not have any other significant investment during the three months ended 31 March 2018.

## Material Acquisition and Disposal

Save as disclosed in this report, the Group did not process any material acquisition or disposal of subsidiaries or joint ventures during the three months ended 31 March 2018.

## Litigations

Reference is made to pages 13 and 14 of 2017 Annual Report of the Company which discloses particulars on and progress of litigation matters in which the Company and/or its subsidiaries are involved.

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

## Advance to an Entity

On 15 February 2015 and 24 March 2015, Hong Kong Entertainment (Overseas) Investments Limited ("**HKE**") and Tinian Entertainment Co., Ltd ("**TEC**"), a former indirect wholly-owned subsidiary of the Company, entered into a provisional operating agreement and operating agreement respectively ("**Operating Agreement**") under which HKE intended to lease to TEC and TEC intended to lease from HKE, the leased property comprising of the Hotel-Casino Complex and the relevant assets at the occupation fees of approximately HK\$133,000,000. Upon the entering into the Operating Agreement, TEC has paid HKE a refundable deposit of HK\$50,000,000, which has been set off with part of the rental prepayment repayable by HKE.

Following to the term sheet of 7 April 2016 and the restructuring agreement of 29 April 2016 regarding the restructuring of the Hotel-Casino Complex, the total outstanding amount due from HKE to Gain Millennia Limited (the “**GML**”) an indirect wholly-owned subsidiary of the Company and TEC and other moneys payable by HKE to GML and/or its affiliated companies is HK\$164,624,000 (the “**GML Outstanding Amount**”). Pursuant to the restructuring agreement, a new company incorporated by Mr. Chen Chien Yeh (“**NewCo**”) shall issue a convertible bonds in a principal sum of USD21,150,002 to GML or its nominee as a full and final settlement of the GML Outstanding Amount. On 29 June 2016, a supplemental agreement was entered into to extend the long stop date of the restructuring agreement from 30 June 2016 to 30 September 2016. On 30 September 2016 the restructuring agreement lapsed. As at 31 March 2018, the net amount due and owing by HKE in the aggregate sum of HK\$164,624,000.

The Company is seeking legal and other professional advice on formulating a prudent and workable action plan and negotiating with HKE for the recovery of the GML Outstanding Amount. The management has taken a prudent approach and made full impairment of the GML Outstanding Amount during the year ended 31 December 2016.

Details are set out in the announcements of the Company dated 23 February 2015, 3 March 2015, 20 April 2015, 7 April 2016, 29 April 2016, 11 May 2016 and 29 June 2016.

## **DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS IN SHARES OF THE COMPANY**

As at 31 March 2018, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 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 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	Number of underlying shares	Approximate percentage of the issued share capital
Lam Kwok Hing Wilfred	Beneficial owner	–	297,870 <i>(Note)</i>	0.14%
Chan Shui Sheung Ivy	Beneficial owner	9,000	297,870 <i>(Note)</i>	0.14%
Mok Tsan San	Beneficial owner	–	297,870 <i>(Note)</i>	0.14%

### Note:

All underlying shares are share options granted by the Company on 23 March 2016 under the Company's share option scheme at the exercise price of HK\$6.1640 per share which was adjusted after taking into account the effect of the open offer and share consolidation of the shares became effective on 26 June 2017 and 27 June 2017 respectively.

Save as disclosed above, as at 31 March 2018, 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 Exchange pursuant to rule 5.46 of the GEM Listing Rules.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the above section headed **"Directors' and Chief Executives' Interests in Shares of the Company"**, at no time during the three months ended 31 March 2018 was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the Directors, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the three months ended 31 March 2018.

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2018, persons (other than a director or chief executive of the Company) who had interests or short positions directly or indirectly in 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 Exchange were as follows:

### Long position in shares and underlying shares of the Company

<b>Name of Shareholders</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate percentage of interests</b>
Wai Chun Holdings Group Limited	Beneficial owner	13,696,000 <i>(Note)</i>	6.62%
Chan Oi Mo	Interest of corporation controlled	13,696,000 <i>(Note)</i>	6.62%
Lam Ching Kui	Interest of corporation controlled	13,696,000 <i>(Note)</i>	6.62%

*Note:*

Pursuant to the corporate substantial shareholder notice filed by Wai Chun Holdings Group Limited and the individual substantial shareholder notices filed by Chan Oi Mo and Lam Ching Kui respectively, these shares are held by Wai Chun Holdings Limited, which is owned as to 50% by Chan Oi Mo and 50% by Lam Ching Kui. Accordingly, each of Chan Oi Mo and Lam Ching Kui is deemed to be interested in the shares held by Wai Chun Holdings Group Limited.

As at 31 March 2018, the number of shares issued by the Company was 206,777,513.

Save as disclosed above, 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 the shares or underlying shares of the Company as at 31 March 2018 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 Exchange.



## COMPETING INTERESTS

None of the Directors or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that competes or may compete with the business of the Group or had any other conflict of interest with the Group during the three months ended 31 March 2018.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 31 March 2018.

## AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's annual reports and financial statements, interim reports, quarterly reports and risk management and internal control systems and to provide comments thereon to the Board.

The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements and this quarterly report for the three months ended 31 March 2018 and has provided comments thereon.

On behalf of the Board  
**Chinese Strategic Holdings Limited**  
**Lam Kwok Hing Wilfred**  
*Chairman and Executive Director*

Hong Kong, 9 May 2018

*As at the date hereof, the Company's executive Directors are Mr. Lam Kwok Hing Wilfred, J.P., (Chairman), Ms. Chan Shui Sheung Ivy and Mr. Mok Tsan San; and the independent non-executive Directors are Ms. Yuen Wai Man, Mr. Chow Fu Kit Edward and Mr. Lam Raymond Shiu Cheung.*