

11 August 2016

The Board of Directors  
Artini China Co. Ltd.  
Suite No. 10,  
8/F, Tower 3,  
China Hong Kong City,  
33 Canton Road,  
Kowloon,  
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the “**Financial Information**”) regarding to Primeview Technology Limited 領視科技有限公司 (the “**Target Company**”) for the period from 18 June 2013 (date of incorporation) to 31 December 2013, each of the years ended 31 December 2014 and 2015 and three months ended 31 March 2016 (the “**Relevant Periods**”), for inclusion in the shareholders’ circular of Artini China Co. Ltd. (the “**Company**”) dated 11 August 2016 (the “**Circular**”) in connection with the Company’s proposed acquisition (the “**Acquisition**”) of the 100% issued share capital of the Target Company, pursuant to the acquisition agreement dated 13 April 2016 entered into between the Company and Stand Charm Limited and Dragon Max Enterprise Limited (“**Vendors**”). The financial information of Target Company set out in Section I of this report comprises the statement of financial position as at 31 December 2013, 2014 and 2015 and 31 March 2016, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for each of the years ended 31 December, 2013, 2014 and 2015, and three months ended 31 March 2016 and a summary of significant accounting policies and other explanatory notes.

The Target Company was incorporated in Hong Kong with limited liability on 18 June 2013 with paid-in capital of HK\$10,000. As at the date of this report, the Target Company is principally engaged in developing and selling software related applications.

For the purpose of this report, the directors of the Target Company have prepared the Financial Information in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and accounting principles generally accepted in Hong Kong (the “**Underlying Financial Statements**”), with no adjustments considered necessary to comply with HKFRSs.

## **DIRECTORS' RESPONSIBILITY**

The directors of Target Company are responsible for the preparation of the Financial Information in order to give a true and fair view. In preparing the Financial Information that gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently, and that judgements and estimates made are prudent and reasonable.

## **REPORTING ACCOUNTANT'S RESPONSIBILITY**

For the purpose of this report, we have carried out independent audit procedures on the Financial Information in accordance with Hong Kong Standards on Auditing issued by the HKICPA, and such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. It is our responsibility to form an independent opinion, based on our procedures, on the Financial Information and to report our opinion thereon.

## **OPINION**

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the results and cash flows of the Target Company for the Relevant Periods and of the state of affairs of the Target Company as at 31 December 2013, 2014 and 2015, and 31 March 2016.

Yours faithfully,



**Dominic K.F. Chan & Co.**  
*Certified Public Accountants (Practising)*  
Hong Kong  
11 August 2016

I. FINANCIAL INFORMATION OF THE TARGET COMPANY

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Period from	Year ended 31 December			Three months ended	
		18 June 2013 (date of incorporation) to 31 December	2014	2015	2015	2016	
		2013	2014	2015	2015	2016	
		HK\$	HK\$	HK\$	HK\$	HK\$	
					(unaudited)		
Revenue	4	10,906	1,162,005	12,295,183	-	2,328,309	
Cost of inventories sold		(6,978)	(1,077,031)	(1,844,791)	-	(714,505)	
Operating expenses		<u>(14,454)</u>	<u>(136,568)</u>	<u>(791,657)</u>	<u>(107,422)</u>	<u>(505,996)</u>	
(LOSS)/PROFIT BEFORE TAX	5	(10,526)	(51,594)	9,658,735	(107,422)	1,107,808	
Income tax	6	<u>-</u>	<u>-</u>	<u>(1,563,441)</u>	<u>-</u>	<u>(182,788)</u>	
(LOSS)/PROFIT FOR THE YEAR/PERIOD		<u>(10,526)</u>	<u>(51,594)</u>	<u>8,095,294</u>	<u>(107,422)</u>	<u>925,020</u>	
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD, NET OF TAX		<u>(10,526)</u>	<u>(51,594)</u>	<u>8,095,294</u>	<u>(107,422)</u>	<u>925,020</u>	
(LOSS)/PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE TARGET COMPANY		<u>(10,526)</u>	<u>(51,594)</u>	<u>8,095,294</u>	<u>(107,422)</u>	<u>925,020</u>	
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO THE SHAREHOLDERS OF THE TARGET COMPANY		<u>(10,526)</u>	<u>(51,594)</u>	<u>8,095,294</u>	<u>(107,422)</u>	<u>925,020</u>	

## STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December		At 31 March	
		2013 HK\$	2014 HK\$	2015 HK\$	2016 HK\$
NON-CURRENT ASSETS					
Plant and equipment	9	-	-	-	112,248
CURRENT ASSETS					
Trade receivables	10	-	-	10,533,660	6,652,610
Prepayment, deposit and other receivables		-	-	-	25,172
Cash and bank balances	11	61,257	548,099	1,034,894	6,246,983
Total current assets		<u>61,257</u>	<u>548,099</u>	<u>11,568,554</u>	<u>12,924,765</u>
CURRENT LIABILITIES					
Trade payables	12	6,978	411,449	183,917	214,853
Accruals and other payables	13	51,000	94,965	1,524,217	1,853,932
Amount due to directors	14	3,805	93,805	93,805	93,805
Tax payable		-	-	1,563,441	1,746,229
Total current liabilities		<u>61,783</u>	<u>600,219</u>	<u>3,365,380</u>	<u>3,908,819</u>
NET CURRENT (LIABILITIES)/ASSETS					
		<u>(526)</u>	<u>(52,120)</u>	<u>8,203,174</u>	<u>9,015,946</u>
Net (liabilities)/assets		<u><u>(526)</u></u>	<u><u>(52,120)</u></u>	<u><u>8,203,174</u></u>	<u><u>9,128,194</u></u>
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE TARGET COMPANY					
Share capital	15	10,000	10,000	170,000	170,000
(Accumulated losses)/Retained profits		<u>(10,526)</u>	<u>(62,120)</u>	<u>8,033,174</u>	<u>8,958,194</u>
(Capital deficiency)/Total equity		<u><u>(526)</u></u>	<u><u>(52,120)</u></u>	<u><u>8,203,174</u></u>	<u><u>9,128,194</u></u>

## STATEMENTS OF CHANGES IN EQUITY

	Attributable to the shareholders of the Target Company (Accumulated losses)/		
	Share capital	Retained profits	Total equity
	HK\$	HK\$	HK\$
At 18 June 2013 (date of incorporation)	-	-	-
Issue of shares	10,000	-	10,000
Loss of the period and total comprehensive loss for the period	-	(10,526)	(10,526)
At 31 December 2013 and 1 January 2014	10,000	(10,526)	(526)
Loss for the year and total comprehensive loss for the year	-	(51,594)	(51,594)
At 31 December 2014 and 1 January 2015	10,000	(62,120)	(52,120)
Profit for the year and total comprehensive income for the year	-	8,095,294	8,095,294
Issue of shares	160,000	-	160,000
At 31 December 2015 and 1 January 2016	170,000	8,033,174	8,203,174
Profit for the period and total comprehensive income for the period	-	925,020	925,020
At 31 March 2016	170,000	8,958,194	9,128,194

## STATEMENTS OF CASH FLOWS

	Period from 18 June 2013 (date of incorporation) to 31 December	Year ended 31 December		Three months ended 31 March	
	2013 HK\$	2014 HK\$	2015 HK\$	2015 HK\$	2016 HK\$
				(unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
(Loss)/Profit before tax	(10,526)	(51,594)	9,658,735	(107,422)	1,107,808
Depreciation	-	-	-	-	6,631
(Increase)/decrease in trade receivables	-	-	(10,533,660)	-	3,881,050
Increase/(decrease) in trade payables	6,978	404,471	(227,532)	(236,377)	30,936
Increase in prepayment, deposits and other receivables	-	-	-	-	(25,172)
Increase in amount to directors	3,805	90,000	-	-	-
Increase in accruals and other payables	51,000	43,965	1,429,252	107,281	329,715
Cash generated from/(used in) operations	51,257	486,842	326,795	(236,518)	5,330,968
Net cash flows from operating activities	51,257	486,842	326,795	(236,518)	5,330,968
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchases of items of property, plant and equipment	-	-	-	-	(118,879)
Net cash flows from investing activities	-	-	-	-	(118,879)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares	10,000	-	160,000	-	-
Net cash flows from financing activities	10,000	-	-	-	-
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
Cash and bank balances at beginning of period/year	61,257	486,842	486,795	(236,518)	5,212,089
Cash and bank balances at end of period/year	-	61,257	548,099	548,099	1,034,894
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR</b>					
	61,257	548,099	1,034,894	311,581	6,246,983
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>					
Cash and bank balances	61,257	548,099	1,034,894	311,581	6,246,983

## II. NOTES TO THE FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

The Target Company was incorporated in Hong Kong with limited liability on 18 June 2013. As at the date of the report, the registered office of the Target Company is located at Room 602, Eastern Commercial Centre, 397 Hennessy Road, Wan Chai, Hong Kong.

As at 31 December 2015, the immediate and ultimate holding company of the Target Company was Stand Charm Limited, which is incorporated in the Republic of Seychelles, and Dragon Max Enterprise Limited, which is incorporated in the British Virgin Islands.

During the Relevant Periods, the Target Company was principally engaged in developing and selling software related applications.

### 2.1 BASIS OF PREPARATION

These Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The Financial Information is presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Target Company, and all values are rounded to the nearest thousand except when otherwise indicated.

The Financial Information is the first set of the Target Company’s financial statements prepared in accordance with HKFRSs. Accordingly, HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards has been applied in preparing the Financial Information. Since the Underlying Financial Statements, on which the preparation of the Financial Information was based, were prepared in accordance with HKFRSs, and therefore, disclosures as required by HKFRS 1 are not made in the Financial Information.

For the purposes of preparing and presenting the Financial Information for the Relevant Periods, the Target Company has consistently applied all of the new and revised HKASs, HKFRSs, amendments and the related interpretations which are effective for the Relevant Periods.

### 2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Company has not early adopted the following new and revised HKFRSs, that have been issued but are not yet effective, in these Financial Information.

HKFRS 9	<i>Financial Instruments</i> <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> <sup>1</sup>
Amendments to HKAS 1 <i>Annual Improvements</i> <i>2012-2014 Cycle</i>	<i>Disclosure Initiative</i> <sup>1</sup> Amendments to a number of HKFRSs <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

The Target Company is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Target Company considers these new and revised HKFRSs are unlikely to have a significant impact on the Target Company's results of operations and financial position.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Related parties

A party is considered to be related to the Target Company if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Target Company;
  - (ii) has significant influence over the Target Company; or
  - (iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Target Company are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Target Company are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.



## Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost (or valuation) less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Computer and equipment	33.33%
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Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

## Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Company is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

## **Investments and other financial assets**

### *Initial recognition and measurement*

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

## **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Company has transferred substantially all the risks and rewards of the asset, or (b) the Target Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Company could be required to repay.

## **Impairment of financial assets**

The Target Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Target Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Company.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

## **Financial liabilities**

### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Company's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

#### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

#### **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

## **Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Target Company on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

## **Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Target Company and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Target Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the rendering of services; and
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

#### Judgements

In the process of applying the Target Company's accounting policies, management has made the following judgements apart from those involving estimations which have the most significant effect on the amounts recognised in the financial statements.

(a) *Income taxes*

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Target Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

(b) *Impairment of trade receivables*

The Target Company maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Target Company makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers was to deteriorate so that the actual impairment loss might be higher than expected, the Target Company would be required to revise the basis of making the allowance.

### 4. REVENUE AND SEGMENT INFORMATION

The director of the Target Company, being the chief operating decision-maker, review the Target Company's internal reporting in order to assess performance and allocate resources. The Target Company focuses on developing and selling software related applications. Information reported to the chief operating decision marker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Target Company as a whole as the Target Company's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Turnover represents the net invoiced value of goods sold or services provided during the period/year, after allowances for returns and trade discounts.

An analysis of revenue is as follows:

	Period from 18 June 2013 (date of incorporation) to 31 December 2013 HK\$	Year ended 31 December		Three months ended 31 March	
		2014 HK\$	2015 HK\$	2015 HK\$ (unaudited)	2016 HK\$
Sale of goods	10,906	1,162,005	1,147,923	-	-
Software-related application developing service	-	-	11,147,260	-	2,328,309
	<u>10,906</u>	<u>1,162,005</u>	<u>12,295,183</u>	<u>-</u>	<u>2,328,309</u>

**5. (LOSS)/ PROFIT BEFORE TAX**

The Target Company's (loss)/profit before tax is arrived at after charging/(crediting):

	Period from 18 June 2013 (date of incorporation) to 31 December 2013 HK\$	Year ended 31 December		Three months ended 31 March	
		2014 HK\$	2015 HK\$	2015 HK\$ (unaudited)	2016 HK\$
Staff costs (including directors' remuneration) Wages and salaries	-	130,000	658,485	114,281	376,715
Depreciation	-	-	-	-	6,631
	<u>-</u>	<u>130,000</u>	<u>658,485</u>	<u>114,281</u>	<u>383,346</u>



## 6. INCOME TAX

For the year ended 31 December 2015 and period from 1 January to 31 March 2016, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

For the period from 1 January to 31 March 2015, year ended 31 December 2014 and period from 18 June 2013 (date of incorporation) to 31 December 2013, no provision for Hong Kong profits tax has been made as the Target Company did not generate any assessable profits arising in Hong Kong.

(a) Taxation in the income statement represents:

	Period from 18 June 2013 (date of incorporation) to 31 December 2013 HK\$	Year ended 31 December		Three months ended 31 March	
		2014 HK\$	2015 HK\$	2015 HK\$	2016 HK\$
Current tax				(unaudited)	
Provision for the year	-	-	1,563,441	-	182,788
	<u>-</u>	<u>-</u>	<u>1,563,441</u>	<u>-</u>	<u>182,788</u>

(b) Reconciliation between tax expense and accounting (loss)/profit/at applicable tax rates:

(Loss)/Profit before tax	(10,526)	(51,594)	9,658,735	(107,422)	1,107,808
Tax at the statutory tax rate of 16.5%	(1,737)	(8,513)	1,593,691	(17,725)	182,788
Tax losses utilized from previous periods	-	-	(10,250)	-	-
Tax reduction	-	-	(20,000)	-	-
Tax losses not recognized	1,737	8,513	-	17,725	-
	<u>-</u>	<u>-</u>	<u>1,563,441</u>	<u>-</u>	<u>182,788</u>

As at 31 December 2013, 2014 and 2015 and 31 March 2015 and 2016, the Target Company had no material unprovided deferred tax liability.

## 7. DIVIDENDS

No dividend was paid or proposed for the Relevant Periods, nor has any dividend been proposed since the end of the reporting period.

8. EARNING/LOSS PER SHARE

No earning/loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

9. PLANT AND EQUIPMENT

	Computer and equipment HK\$
Cost:	
At 18 June 2013, 31 December 2013, 2014, 2015 and 1 January 2016	–
Addition	118,879
	<hr/>
At 31 March 2016	118,879
	<hr/>
Accumulated depreciation:	
At 18 June 2013, 31 December 2013, 2014, 2015 and 1 January 2016	–
Change for the period	6,631
	<hr/>
At 31 March 2016	6,631
	<hr/>
Net book value:	
At 31 December 2013, 2014 and 2015	–
	<hr/> <hr/>
At 31 March 2016	112,248
	<hr/> <hr/>

10. TRADE RECEIVABLES

	31 December		31 March	
	2013	2014	2015	2016
	HK\$	HK\$	HK\$	HK\$
Trade receivables	–	–	10,533,660	6,652,610
Impairment	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	–	–	10,533,660	6,652,610
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Target Company's trading terms with its customers are mainly on credit. The credit period is generally one month, extending up to twelve months (payment by instalments) for some customers. Each customer has a maximum credit limit. The Target Company seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Target Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The aged analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	31 December			31 March
	2013 HK\$	2014 HK\$	2015 HK\$	2016 HK\$
Neither past due nor impaired	-	-	10,533,660	5,654,349
Past due but not impaired:				
Less than 30 days	-	-	-	415,942
31 to 60 days	-	-	-	415,942
61 to 90 days	-	-	-	166,377
	<u>-</u>	<u>-</u>	<u>10,533,660</u>	<u>6,652,610</u>

#### 11. CASH AND BANK BALANCES

	31 December			31 March
	2013 HK\$	2014 HK\$	2015 HK\$	2016 HK\$
Bank balances	<u>61,257</u>	<u>548,099</u>	<u>1,034,894</u>	<u>6,246,983</u>

As at 31 December 2013, 2014 and 2015 and 31 March 2016, the cash and bank balances of the Target Company denominated in HK\$. Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

#### 12. TRADE PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	31 December			31 March
	2013 HK\$	2014 HK\$	2015 HK\$	2016 HK\$
Within 2 months	<u>6,978</u>	<u>411,449</u>	<u>183,917</u>	<u>214,853</u>

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

13. ACCRUALS AND OTHER PAYABLES

	31 December			31 March
	2013 HK\$	2014 HK\$	2015 HK\$	2016 HK\$
Accrual	–	7,000	10,000	10,000
Other payables	<u>51,000</u>	<u>87,965</u>	<u>1,514,217</u>	<u>1,843,932</u>
	<u>51,000</u>	<u>94,965</u>	<u>1,524,217</u>	<u>1,853,932</u>

As at 31 March 2016 and 31 December 2015, included in other payables is a amount due to a related party of HK\$1,485,704 and HK\$1,480,339 (2013 and 2014: Nil), which is unsecured, interest-free and is payable on demand.

Accruals and other payables are non-interest bearing and repayable on demand.

14. AMOUNT DUE TO DIRECTORS

The amount due to directors are unsecured, interest free and has no fixed terms of repayment.

The carrying amounts of amounts due to directors approximate to their fair values.

15. SHARE CAPITAL

	31 December			31 March
	2013 HK\$	2014 HK\$	2015 HK\$	2016 HK\$
Issued and fully paid: 10,000/10,000/170,000 ordinary shares	<u>10,000</u>	<u>10,000</u>	<u>170,000</u>	<u>170,000</u>

The Target Company was incorporated on 18 June 2013 with an authorized share capital of HK\$1,000,000 divided into 1,000,000 shares of HK\$1 each of which 10,000 shares were taken up by a founder at par for cash on incorporation.

On 31 December 2015, 160,000 ordinary shares were issued at HK\$1 each, which resulted in proceeds of HK\$160,000. The purpose of the issue was to provide additional working capital for the Target Company.

In accordance with section 135 of the Hong Kong Company Ordinance (Cap. 622), the Target Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

## 16. OPERATING LEASE ARRANGEMENTS

The Target Company leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms of two years.

The Target Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December		31 March	
	2013	2014	2015	2016
	HK\$	HK\$	HK\$	HK\$
Within one year	-	-	249,378	249,378
In the second to fifth years, inclusive	-	-	145,470	83,126
	<u>-</u>	<u>-</u>	<u>394,848</u>	<u>332,504</u>

## 17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Company's exposure to credit risk and liquidity risk, arises in the normal course of its business. The director review and agree policies for managing each of these risks and they are summarised below.

### Credit risk

The credit risk of the Target Company's financial assets, which comprise trade receivables and cash and bank balances, arise from default of the counterparty, with a maximum exposure to the carrying amount of these instruments.

### Liquidity risk

The Target Company aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Target Company finances its working capital requirements through a combination of funds generated from operations, amount due to director and bank and other borrowings.

The table below summarises the maturity profile of the Target Company's non-derivative financial liabilities at 31 December based on contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period.

Year ended 31 December 2013

	<b>On demand</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
Trade payables	6,978	6,978
Accruals and other payables	51,000	51,000
Amount due to directors	3,805	3,805
	<hr/>	<hr/>
	61,783	61,783
	<hr/> <hr/>	<hr/> <hr/>

Year ended 31 December 2014

	<b>On demand</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
Trade payables	411,449	411,449
Accruals and other payables	94,965	94,965
Amount due to directors	93,805	93,805
	<hr/>	<hr/>
	600,219	600,219
	<hr/> <hr/>	<hr/> <hr/>

Year ended 31 December 2015

	<b>On demand</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
Trade payables	183,917	183,917
Accruals and other payables	1,524,217	1,524,217
Amount due to directors	93,805	93,805
	<hr/>	<hr/>
	1,801,939	1,801,939
	<hr/> <hr/>	<hr/> <hr/>

Year ended 31 March 2016

	<b>On demand</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
Trade payables	214,853	214,853
Accruals and other payables	1,853,932	1,853,932
Amount due to directors	93,805	93,805
	<hr/>	<hr/>
	2,162,590	2,162,590
	<hr/> <hr/>	<hr/> <hr/>

### **Capital management**

The primary objective of the Target Company's capital management is to safeguard its ability to continue as a going concern. The Target Company does not have specific policies for managing capital but it will continue to maintain a healthy capital ratio.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes for managing capital were made during the period from 18 June 2013 (date of incorporation) to 31 December 2013, the years ended 31 December 2014 and 31 December 2015, and period from 1 January 2016 to 31 March 2016.

#### **18. FINANCIAL INSTRUMENT BY CATEGORY**

All the Target Company's financial assets and liabilities as at 31 December 2013, 2014 and 2015 and 31 March 2016 were loans and receivables and financial liabilities stated at amortised cost, respectively.

#### **19. SUBSEQUENT EVENTS**

The Target Company did not have any significant event occurred subsequent to the Relevant Period.

#### **20. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to 31 March 2016.

Yours faithfully,

**Dominic K.F. Chan & Co.**  
*Certified Public Accountants (Practising)*  
Hong Kong  
11 August 2016