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 a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountants or other professional adviser.

If you have sold or transferred all your shares in **Artini China Co. Ltd.** (the "**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company and it must not be used for the purpose of offering or inviting offers for any securities.

ARTINI

ARTINI CHINA CO. LTD.

雅天妮中國有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 789)

(1) MAJOR TRANSACTION RELATING TO THE ACQUISITION OF ENTIRE INTEREST IN THE TARGET COMPANY; (2) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION FOR NEW SHARES BY A CONTROLLING SHAREHOLDER; (3) APPLICATION FOR WHITEWASH WAIVER; AND (4) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

中投证券(香港)
CHINA INVESTMENT SECURITIES (HK)

China Investment Securities International Capital Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

TC CAPITAL

A letter from the Board is set out on pages 8 to 39 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholder is set out on pages 40 to 41 of this circular. A letter from TC Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 42 to 89 of this circular.

A notice convening the SGM to be held at 9/F., Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong on 26 August 2016 (Friday) at 9:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy 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 holding the SGM or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong. 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 and in such event, the relevant proxy form shall be deemed to be revoked.

11 August 2016

CONTENTS

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

"Acquisition"	the acquisition of the Sale Shares by the Purchaser from the Vendors pursuant to the Acquisition Agreement
"Acquisition Agreement"	the sale and purchase agreement dated 13 April 2016 entered into among the Purchaser, the Vendors and the Guarantor in relation to the Acquisition
"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement dated 13 April 2016 made by the Company in relation to, among the others, the Acquisition, the Subscription, and the application for the Whitewash Waiver
"Annual Report"	the annual report for the year ended 31 March 2016 of the Company
"Asian Alliance"	Asian Alliance (HK) CPA Limited (華融（香港）會計師事務所有限公司), the auditors of the Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	board of Directors
"Business Day(s)"	a day (excluding a Saturday, Sunday, public holiday or any day during which typhoon no. 8 signal (or above) or a black rainstorm warning is hoisted at any time during 9:00 a.m. and 5:00 p.m. on that day) on which licensed banks in Hong Kong are generally open for business

"CISIC"	China Investment Securities International Capital Limited, a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Company"	Artini China Co. Ltd., a company incorporated in Bermuda with limited liability and whose Shares are listed on the Stock Exchange (stock code: 789)
"Concert Group"	means the Subscriber and persons acting in concert with it which, as at the Latest Practicable Date, being the Subscriber and Mr. Tse
"connected person"	has the meaning as ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Dragon Max"	Dragon Max Enterprises Limited, a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Zhuang
"Enlarged Group"	the Group and the Target Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director
"Group"	the Company and its subsidiaries
"Henan Dazhen"	河南大正投資置業有限公司 (Henan Dazhen Property Investment Company Limited#), a company incorporated in Henan Province PRC with limited liability
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	the independent board committee comprising all of the independent non-executive Directors, namely Mr. Lau Fai Lawrence, Mr. Lau Yiu Kit and Mr. Zheng Zhaohui, which has been established by the Company to advise and make recommendations to the Independent Shareholders on the terms of the Acquisition Agreement and the transactions contemplated thereunder, the terms of the Subscription Agreement and the transactions contemplated thereunder, the Whitewash Waiver and as to voting at the SGM
"Independent Financial Adviser" or "TC Capital"	TC Capital International Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Independent Shareholders"	Shareholders other than (a) the Subscriber, Mr. Tse and parties acting in concert with any one of them; (b) the Subscriber's associates; and (c) any other Shareholders who are involved in or interested in the Subscription Agreement and the transactions contemplated thereunder, the Acquisition Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver
"Independent Third Party(ies)"	third party(ies) independent of and/or not connected with nor acting in concert with any of the Company, its subsidiaries, the respective directors, chief executives, substantial shareholders of the Company and any of its subsidiaries, and associates of any of them, and are not connected persons of the Company or any of its subsidiaries (as defined under Listing Rules)
"Interim Report"	interim report for the six months ended 30 September 2015 of the Company
"Last Trading Day"	12 April 2016, being the last trading day of the Shares on the Stock Exchange prior to the date of the Announcement

"Latest Practicable Date"	8 August 2016, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information in this circular
"Listing Committee"	has the meaning as ascribed to it under the Listing Rules
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	30 September 2016
"Marketing Channel Expansion"	expansion of the Group's marketing channel on the e-commerce platform and to market the Group's products via mobile phone applications targeting primarily smart phone users in the PRC
"Mr. Tse"	Mr. Tse Hoi Chau, the executive Director, chairman and chief executive officer of the Company
"Mr. Zhuang"	莊競華 (Mr. Zhang Jinghua*), the sole director and ultimate legal and beneficial owner of the Vendors, and is an Independent Third Party who did not hold any Shares as at the Latest Practicable Date
"Outstanding Options"	the outstanding, vested and unvested, options granted by the Company to subscribe for an aggregate of 378,042,600 Shares under the Share Option Scheme
"PRC"	People's Republic of China, which, solely for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Purchaser"	Artini Sales Company Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company
"Relevant Period"	the period commencing 13 October 2015, being the date falling 6 months before the date of Announcement, up to and including the Latest Practicable Date
"RMB"	Renminbi, the lawful currency of the PRC

"Sale Shares"	the entire issued share capital of the Target Company legally and beneficially owned as to approximately 94% by Stand Charm and 6% by Dragon Max respectively, immediately prior to completion of the Acquisition
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Acquisition Agreement and the transactions contemplated thereunder, the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme of the Company currently in force and adopted by the Company on 23 April 2008
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Artini"	Shenzhen Artini Hongli Enterprises Co. Ltd. (深圳雅天妮弘力實業有限公司), a company incorporated in the Shenzhen, the PRC and an indirect wholly-owned subsidiary of the Company
"Stand Charm"	Stand Charm Limited, a company incorporated in the Republic of Seychelles and Mr. Zhuang is its sole director and ultimate legal and beneficial owner
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Walifax Investments Limited, a company incorporated in the British Virgin Islands, and is beneficially wholly-owned by Mr. Tse
"Subscription"	the subscription by the Subscriber for the 2,440,000,000 Subscription Shares pursuant to the Subscription Agreement

"Subscription Agreement"	the subscription agreement dated 13 April 2016 between the Subscriber and the Company relating to the subscription of 2,440,000,000 new Shares by the Subscriber
"Subscription Price"	the subscription price of HK$0.074 per Subscription Share
"Subscription Share(s)"	new Share(s) to be subscribed by the Subscriber pursuant to the Subscription Agreement
"substantial shareholder"	has the meaning ascribed under in the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Target Company"	Primeview Technology Limited, a company incorporated in Hong Kong with limited liability and is owned as to 94% by Stand Charm and 6% by Dragon Max respectively
"Target Company's December 2016 Accounts"	the management accounts of the Target Company for the full year ending 31 December 2016
"Target Company's June 2016 Accounts"	the management accounts of the Target Company for the six months ending 30 June 2016
"Vendors"	collectively, Stand Charm and Dragon Max, and each a "Vendor"
"Whitewash Waiver"	waiver granted by the Executive under Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of the Subscriber to make a general offer to the Shareholders for all issued Shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber or persons acting in concert with it, which would, if the Subscription proceeds to completion, arise as a result of the allotment and issue of the Subscription Shares to the Subscriber
"%"	per cent.

* *For illustration purposes only*

The English transliteration of the Chinese name(s) in this circular, where indicated with "#", is included for information purpose only and should not be regarded as the official English name(s) of such Chinese names.

For the purpose of this circular, unless the context otherwise requires, conversion of Renminbi into HK Dollars is based on the approximate exchange rate of RMB1 to HK$1.19. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amounts in Hong Kong dollars or Renminbi have been could have been or may be converted out such or at any other rate or at all.

ARTINI

ARTINI CHINA CO. LTD.
雅天妮中國有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 789)

Executive Directors:
Mr. Tse Hoi Chau
(Chairman and Chief Executive)
Mr. Lin Shao Hua

Independent non-Executive Directors:
Mr. Lau Fai Lawrence
Mr. Lau Yiu Kit
Mr. Zeng Zhaohui

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

Principal Place of Business in Hong Kong:
Suite No. 10, 8/F.
Tower 3, China Hong Kong City
China Ferry Terminal
33 Canton Road, Kowloon
Hong Kong

11 August 2016

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION RELATING TO THE ACQUISITION OF ENTIRE INTEREST IN THE TARGET COMPANY; (2) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION FOR NEW SHARES BY A CONTROLLING SHAREHOLDER; (3) APPLICATION FOR WHITEWASH WAIVER; AND (4) NOTICE OF SPECIAL GENERAL MEETING

I. INTRODUCTION

Reference is made to the Announcement. On 13 April 2016 (after trading hours), the Purchaser, the Vendors and the Guarantor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell the Sale Shares (representing all the issued shares of the Target Company) for an aggregate consideration of HK$160 million, which will be satisfied in cash from the net proceeds of the Subscription. The Vendors and Mr. Zhuang are Independent Third Parties and as at the Latest Practicable Date, did not hold any Shares.

In addition, on 13 April 2016 (after trading hours), the Subscriber entered into the Subscription Agreement with the Company pursuant to which the Subscriber has conditionally agreed to subscribe for, in cash, and the Company has conditionally agreed to allot and issue a total of 2,440,000,000 Subscription Shares at the price of HK$0.074 per Subscription Share.

Assuming there is no change in the share capital of the Company other than the issue of the Subscription Shares since the date of the Subscription Agreement up to completion of the Subscription, the 2,440,000,000 Subscription Shares represent (i) approximately 94.95% of all the issued shares of the Company as at the Latest Practicable Date; and (ii) approximately 48.70% of all the issued shares of the Company as enlarged by the allotment and issue of the Subscription Shares.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM. In addition, given the Acquisition and the Subscription are inter-conditional, the Company voluntarily complies with the reporting, announcement and Independent Shareholders' approval requirements in respect of the Acquisition under Chapter 14A of the Listing Rules.

Since the Subscriber is a controlling shareholder of the Company and is therefore a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders by way of poll at the SGM.

Given the Subscriber is beneficially wholly-owned by Mr. Tse and the Acquisition and the Subscription are inter-conditional, Mr. Tse, the Subscriber, their respective associates and parties acting in concert with any of them, which together are interested in 1,100,091,988 Shares, representing approximately 42.81% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting in respect of the resolution(s) approving the Acquisition, the Subscription (including the grant of a specific mandate for the issuance of new Shares pursuant to the Subscription) and the Whitewash Waiver at the SGM. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for the 1,100,091,988 Shares that Mr. Tse, the Subscriber, their respective associates and parties acting in concert with any of them are interested in, no other Shareholder will be required to abstain from voting at the SGM in respect of the resolution(s) approving the Acquisition, the Subscription (including the grant of a specific mandate for the issuance of new Shares pursuant to the Subscription) and the Whitewash Waiver at the SGM.

As at the Latest Practicable Date, the Subscriber held 1,085,267,988 Shares, representing approximately 42.23% of the voting rights of the Company. Upon completion of the Subscription, 2,440,000,000 Subscription Shares will be issued to the Subscriber, and the interests of the Concert Group in the voting rights of the Company will be increased from approximately 42.81% to approximately 70.66% (assuming that no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to completion of the Subscription). Accordingly, the Concert Group, in the absence of the Whitewash Waiver, would be obliged to make a general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by them.

An application to the Executive for the Whitewash Waiver has been made by the Subscriber. The Executive has agreed, subject to the approval of the Independent Shareholders at the SGM by way of poll and such other condition(s) as may be imposed by the Executive, to grant the Whitewash Waiver. The Subscriber and parties acting in concert with it, and any other Shareholders who are involved or interested in the Acquisition, Subscription and/or the Whitewash Waiver shall abstain from voting at the SGM in respect of the resolution approving the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. If the Executive does not grant the Whitewash Waiver, neither the Acquisition nor the Subscription will proceed.

The purpose of this circular is to provide you, among other things, (i) further details of the Acquisition Agreement; the Subscription Agreement and the Whitewash Waiver; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder, the Subscription Agreement and the transactions contemplated thereunder as well as the Whitewash Waiver and as to voting at the SGM; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder, the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver; (iv) a notice of the SGM; and (v) other information as required under the Listing Rules and the Takeovers Code, for the purpose of the SGM.

II. ACQUISITION

1. Principal Terms of the Acquisition Agreement

Date:

13 April 2016 (after trading hours)

Parties:

Purchaser:	Artini Sales Company Limited
Vendors:	(1) Stand Charm; and
	(2) Dragon Max
	The principal business of each Vendor is investment holding.
Guarantor:	Mr. Zhuang, as guarantor of the Vendors' obligations under the Acquisition Agreement

Mr. Zhuang is the sole director and ultimate legal and beneficial owner of each Vendor. The Vendors and Mr. Zhuang are Independent Third Parties and as at the Latest Practicable Date, did not hold any Shares.

Assets being acquired:

The Sale Shares, representing all the issued shares of the Target Company.

Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company.

Consideration of the Acquisition Agreement

The consideration for the Acquisition under the Acquisition Agreement is HK$160 million in total and all payments will be apportioned between Stand Charm and Dragon Max as to 94% and 6% respectively, proportionate to their respective shareholding in the Target Company. The consideration is payable to a designated account of the Vendors in three installments as follows:

(i) HK$100 million within 14 days of completion of Subscription;

(ii) HK$30 million within 14 days after completion and an agreement being reached between the Purchaser and the Vendors on the Target Company's June 2016 Accounts and provided that the profit after tax attributable to shareholders based on such unaudited management accounts is not less than HK$5 million; and

(iii) HK$30 million within 14 days after completion and an agreement being reached between the Purchaser and the Vendors on the Target Company's December 2016 Accounts and provided that the profit after tax attributable to shareholders is not less than HK$11 million.

For the avoidance of doubt:

(i) the second installment of the consideration for the Acquisition will only be payable when (a) the Target Company's June 2016 Accounts is available and has been agreed upon by the Purchaser and the Vendors; and (b) the profit after tax attributable to the shareholders of the Target Company as set out in the Target Company's June 2016 Accounts is not less than HK$5 million. As at the Latest Practicable Date, the Vendors had prepared the Target Company's June 2016 Accounts, the contents of which were still pending agreement by the Company for the purpose of the Acquisition Agreement; and

(ii) the third installment of the consideration for the Acquisition will only be payable when (a) the Target Company's December 2016 Accounts is available and has been agreed upon by the Purchaser and the Vendors; and (b) the profit after tax attributable to shareholders of the Target Company as set out in the Target Company's December 2016 Accounts is not less than HK$11 million.

Further updates in respect of the determination of the consideration under the Acquisition Agreement will be disclosed by the Company by way of an announcement and disclosure in its annual report.

The consideration for the Acquisition was arrived at based on normal commercial terms after arm's length negotiation between the Purchaser and the Vendors with reference to, among the other things, (i) the historical financial performance of the Target Company; (ii) the growth and development potential and prospect of the Target Company, having considered the fact that the Target Company (a) was making profit for the year ended 31 December 2015 and the three months ended 31 March 2016; (b) has stable monthly maintenance income from software maintenance contracts which are renewable annually; and (c) has the resources to develop software related application that is compatible with smart accessories; (iii) the anticipated synergy to be created for the Group's existing business after completion of the Acquisition, such as enhancement on the platform for the Group's existing online sales, obtaining a better understanding on the customer's needs between both sides in our retail and internet sales and further development on smart jewellery accessories; and (iv) the historical price-to-earnings ratio of selected comparable companies ("**Comparable Companies**") that (i) are currently listed on the Main Board of the Stock Exchange; and (ii) are principally engaged in software related application business in Hong Kong and the PRC.

Given the fact that (i) at 12 April 2016, the historical price-to-earning ratio of Comparable Companies mentioned above in 2015 ranged from approximately 4.6 times to 53.1 times, with the average of approximately 28.0 times; (ii) the Target Group's business is expected to bring synergy with the Group's existing business after completion of the Acquisition as the Company intends to develop its internet retail business with the Target Company with a view to improving the sale of the Group's products and in turn the profitability and the competitiveness of the Group, which are essential for the sustainable development of the Group in the long run; and (iii) the Target Company was making profit for the year ended 31 March 2016 and able to maintain stable monthly maintenance income by (a) successfully renewing software maintenance contracts with four customers in January 2016; and (b) signing software maintenance contract with a new customer in May 2016 with a contract sum of HK$3 million for the year 2016 and subject to renewal in January 2017, the Directors (excluding independent non-executive Directors) are of the view that the implied price-to-earning ratio of approximately 19.8 times and 43.2 times based on the net profit of the Target Company for the year ended 31 December 2015 and the three month ended 31 March 2016 respectively, are fair and reasonable.

Conditions precedent to the completion of the Acquisition:

Completion of the Acquisition is conditional upon, among other things, upon the fulfillment of the following conditions precedent:

(i) the Whitewash Waiver being granted by the Executive;

(ii) all the conditions precedent under the Subscription Agreement (except the satisfaction of conditions precedent under the Acquisition Agreement) having been satisfied (including, among other things, the approval by the Independent Shareholders of the Acquisition Agreement and the transactions contemplated thereunder);

(iii) each key employee of the Target Company (including Mr. Zhuang) as specified in the Acquisition Agreement (none of whom was a Shareholder as at the Latest Practicable Date) having signed an employment contract with the Purchaser or its nominee in the form and substance satisfactory to the Purchaser and effective on the date of completion of the Acquisition;

(iv) the Purchaser having completed the financial and legal due diligence review on the Target Company and being satisfied with the results of such review in all aspects;

(v) all necessary approvals and/or consents in relation to authorizing the execution, delivery and performance of the Acquisition Agreement and the transactions contemplated thereunder having been obtained by the Vendors and/or the Target Company;

(vi) the consummation of the transactions contemplated under the Acquisition Agreement not having been restrained, enjoined or otherwise prohibited by any applicable laws and regulations, any order, injunction, decree or judgment of any court or other governmental authority;

(vii) all representations, warranties and undertakings given by the Vendors under the Acquisition Agreement remaining true, accurate and complete, and none of the provisions of the Acquisition Agreement having been breached in any material respect; and

(viii) there being no material adverse change in the financial position, business or operations of the Target Company.

Any of the above conditions precedent (other than in paragraphs (i) and (ii) above) can be waived by the Purchaser.

As one of the conditions precedent to the completion of the Acquisition, Mr. Zhuang will enter into an employment contract with the Purchaser or its nominee in the form and substance satisfactory to the Purchaser. While the terms of the employment contracts are still being negotiated pending finalisation, the following sets out the indicative terms of Mr. Zhuang's employment after completion of the Acquisition:-

Remuneration:	RMB20,000 payable monthly (equivalent to RMB240,000 per year)
Term of Service:	No specified term
Notice Period required to terminate Contract:	3-month notice

If all of the conditions precedent set out in the Acquisition Agreement have not been fulfilled and/or waived (as the case maybe) on or before the Long Stop Date or such other date as may be agreed by the Vendors and the Purchaser, each of the Vendors and the Purchaser has the right to terminate the Acquisition Agreement (other than the provisions in relation to, among others, confidentiality, notice and governing law, which shall survive) and thereafter no party shall have any liability save for antecedent breaches. As at the Latest Practicable Date, condition (v) set out above has been fulfilled.

Completion of the Acquisition:

Completion of the Acquisition will, subject to all the conditions precedent set out in the section headed "Conditions precedent to the completion of the Acquisition" above (to the extent not waived) being fulfilled, take place on the fourth Business Day after the date of the fulfillment or waiver of such conditions precedent or such later date as the parties to the Acquisition Agreement may agree in writing.

2. Information of the Target Company

The Target Company is a company incorporated in Hong Kong with limited liability that is principally engaged in developing and selling software related applications which can be purchased by businesses to facilitate e-commerce of their products and services. As at the Latest Practicable Date, the Target Company is owned as to 94% by Stand Charm and 6% by Dragon Max, and to the best knowledge of the Directors, all customers of Target Company are Independent Third Parties.

Set out below is a summary of the profit or loss before and after taxation of the Target Company as extracted from the accountants' report of the Target Company set out in Appendix II to this circular, which have been prepared in accordance with generally accepted accounting standards in Hong Kong:

	For the year ended 31 December 2014 *(audited)* *(HK$'000)*	For the year ended 31 December 2015 *(audited)* *(HK$'000)*	For the three months ended 31 March 2015 *(unaudited)* *(HK$'000)*	2016 *(audited)* *(HK$'000)*
(Loss)/Profit before taxation	(52)	9,659	(107)	1,108
(Loss)/Profit after taxation	(52)	8,095	(107)	925

The audited net assets of the Target Company as at 31 March 2016 was approximately HK$9.1 million.

3. Management discussion and analysis of the Target Company

Accountants' report on the Target Company for the period from 18 June 2013 (date of incorporation) to 31 December 2013, the two years ended 31 December 2014 and 2015 and the three months ended 31 March 2016 was set out in Appendix II to this circular. Management discussion and analysis of the Target Company for the corresponding period are set out as follows:

Business model and segment information

The Target Company focuses on developing and selling software related applications and the Target Company's resources are integrated and no discrete operating segment financial information is available. However, the business of the Target Company can be classified as two major categories, namely, sales of goods and software-related application development service.

The Target Company's sale of goods segment represents the sale of mobile phone which installed with 易銷E店 (Easy Sales Electronic Shop*) ("**Easy Shop**"). Its software-related application development service segment comprises (i) the sales of Easy Shop, which may or may not bundle with the provision of maintenance services on Easy Shop to customers; and (ii) renewal of software maintenance contracts with existing customers.

For the period from 18 June 2013 to 31 December 2014, there is no revenue generated from the software-related application development service segment as none of the customers who bought the mobile phone which installed with Easy Shop had entered into software maintenance contract with the Target Company.

As the Target Company expected that the revenue from software-related application development service will be the major income and account for a significant proportion of its revenue in the next few years when compared with the revenue from sales of goods, for the year ended 31 December 2015, the Target Company is focusing on soliciting customers who would like to use the software maintenance service by entering software maintenance contracts with them. At the same time, the Target Company were also selling to those customers mobile phone installed with Easy Shop. It is expected that the business model of the Target Company can facilitate (i) maintaining a long term relationship with its existing customers by providing maintenance services to them; and (ii) generating stable revenue from such customers in the future.

From year 2016 onwards, other than selling the mobile phone installed with Easy Shop, the Target Company also sold Easy Shop as a standalone product to individual end-users directly. The Target Company will provide individual end-users with an user manual and online assistance to assist them to install Easy Shop by themselves. With this new selling channel, the Target Company believed that the standalone products can target new customers who desire flexibility in hardware, such as mobile phones and computers, and eventually maximize our number of customers.

Revenue recognition policy

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) for income from 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; and

(b) for income from software maintenance contracts, when rendering of services.

Financial review, business review, prospects

For the period from 18 June 2013 to 31 December 2013, the two years ended 31 December 2015 and the three months ended 31 March 2016, revenue generated from sales of goods were HK$10,906, HK$1,162,005, HK$1,147,923 and nil respectively. After the successful development of Easy Shop in 2013, the Target Company started outsourcing the production process of installing Easy Shop in the mobile phones to third party manufacturers and subsequently the Target Company purchased the goods from such manufacturers and resold to its customer. Those mobile phones were not manufactured by the Target Company. For the period from 18 June 2013 to 31 December 2013, the two years ended 31 December 2015 and the three months ended 31 March 2016, 8, 500, 524 and nil mobile phones were respectively sold.

In 2014, the Target Company had only one customer, which was a wholesaler of mobile phones. In 2015, the Target Company had four new customers which (i) were small and medium enterprises from different industries, including frozen and processed food industry and jewellery industry; and (ii) engaged the Target Company to provide maintenance services. While these customers entered into software maintenance contracts with us and paid monthly maintenance fee to the Target Company, the Target Company also sold to them mobiles phones installed with Easy Shop. For the three months ended 31 March 2016, the Target Company renewed the software maintenance contracts with four existing customers. Also, for the three months ended 31 March 2016, it also sold Easy Shop as a standalone product to five individuals end-users.

For the period from 18 June 2013 to 31 December 2013, the two years ended 31 December 2014 and 2015 and the three months ended 31 March 2016, revenue generated from software-related application development service were nil, nil, HK$11,147,260 and HK$2,328,309 respectively.

As the maintenance services provided by the Target Company include (i) modifying the software in response to the markets needs from time to time (whereas the software prohibits any modification without authorisation by the Target Company); and (ii) providing training to customers' staff, the nature of software maintenance contract is different from license agreement for our customers to use Easy Shop. Once Easy Shop is installed in the mobile phone, the customer can access to it without paying any further license fee.

The loss before taxation and after taxation of the Target Company for the period ended 18 June 2013 to 31 December 2013 were HK$10,526 and HK$10,526 respectively, and further increased to HK$51,594 and HK$51,594 for the year ended 31 December 2014 respectively, which were mainly due to the large operating expenses as the proportion to the revenue during the beginning stage of the operation of the Target Company.

After the initial set-up phase in the previous period under review, the Target Company has successfully marketed its software platform to customers in a number of industries, including frozen and proceed food distribution, as well as merchandise and jewellery retail. It has also secured a number of software maintenance contracts during the period under review. Normally the software maintenance contracts is renewable yearly. Accordingly, the Target Company started to make profits in 2015. The profit before taxation and after taxation of the Target Company for the year ended 31 December 2015 were approximately HK$9.7 million and HK$8.1 million respectively. The Target Company continued to make profit for the three months ended 31 March 2016, the profit before taxation and after taxation of the Target Company for the three months ended 31 March 2016 were approximately HK$1.1 million and HK$0.9 million, respectively. The relatively modest net profit of the Target Company for the three months ended 31 March 2016 was mainly influenced by (i) the decrease in monthly maintenance income, as there were slight adjustments on the monthly maintenance fee after the renewal of software maintenance contracts with customers in January 2016; and (ii) the increase in monthly staff costs from approximately HK$200,000 in December 2015 to approximately HK$320,000 in March 2016, as more sale personnel and technical staff who are responsible for the maintenance services and the product development has been employed in the first quarter of 2016 in order to cope with the future development of the Target Company.

On the assumption that if the Target Company can successfully renew software maintenance contracts with its customers, the Company expected that the revenue from software-related application development service for the year ending 31 December 2016 is expected to be maintained in a similar level on their contribution on the revenue from software-related application development service for year ended 31 December 2015.

Cost Structure

For the period end from 18 June 2013 to 31 December 2013, the two year ended 31 December 2015 and the three months ended 31 March 2016, the total cost (excluding income tax) that the Target Company incurred were HK$21,432, HK$1,213,599, HK$2,636,448 and HK$1,220,501, respectively. Out of which, the cost of inventories sold was HK$6,978, HK$1,077,031, HK$1,844,791 and HK$714,505 and operating expenses was HK$14,454, HK$136,568, HK$791,657 and HK$505,996, respectively. Staff cost is the major cost component of operating expenses, representing nil, HK$130,000, HK$658,458 and HK$376,715 of the operating expenses for the period end from 18 June 2013 to 31 December 2013, the two year ended 31 December 2015 and the three months ended 31 March 2016.

Capital structure, liquidity, financial resources and gearing ratio

As at 31 December 2013, the total assets, total liabilities and net liabilities of the Target Company were valued at HK$61,257, HK$61,783 and HK$526 respectively. As at 31 December 2014, the total assets, total liabilities and net liabilities of the Target Company were valued at HK$548,099, HK$600,219 and HK$52,120 respectively. As at 31 December 2015, the total assets, total liabilities and net assets of the Target Company were valued at approximately HK$11.6 million, HK$3.4 million and HK$8.2 million respectively. As at 31 March 2016, the total asset, total liabilities and net asset of the Target Company were valued at HK$13.0 million, HK$3.9 million and HK$9.1 million, respectively.

Of the total liabilities, HK$3,805, HK$93,805, HK$93,805 and HK$93,805 was amount due to directors which are denominated in Hong Kong dollars as at 31 December 2013, 2014 and 2015 and 31 March 2016 respectively. The amount due to directors are unsecured, interest free and has no fixed terms of repayment. As at 31 December 2015 and 31 March 2016, there was an amount due to a related party of HK$1,480,339 and HK$1,485,704 respectively (2013 and 2014: Nil), which is unsecured, interest-free and is payable on demand.

Cash and bank balances of the Target Company as at 31 December 2013, 2014 and 2015 and 31 March 2016 amounted to HK$61,257, HK$548,099, approximately HK$1.0 million and HK$6.2 million respectively. The gearing ratio (calculated as total debts over total assets) was approximately 6.2%, 17.1%, 13.6% and 12.1% as at 31 December 2013, 2014 and 2015 and 31 March 2016 respectively.

As at the Latest Practicable Date, approximately 66% of trade receivables of the Target Company had been collected subsequent to 31 March 2016.

Capital commitment

The Target Company did not have any capital commitment as at 31 December 2013, 2014 and 2015 and 31 March 2016.

Treasury policies

The Target Company has no formal treasury policy and has not entered into any form of financial arrangement or used any financial instrument for hedging purposes during the period under review.

Exchange rate exposure

The Target Company did not have exchange rate risk as at 31 December 2013, 2014 and 2015 and 31 March 2016.

Contingent liabilities

The Target Company did not have any significant contingent liabilities as at 31 December 2013, 2014 and 2015 and 31 March 2016.

Significant investments, material acquisition and disposals

The Target Company did not have any significant investments, material acquisition and disposals and future plans for material investments for the period under review.

Employment and remuneration policy

As at 31 December 2013, 2014 and 2015 and 31 March 2016, the Target Company had 0, 1, 15 and 19 employees respectively. The Target Company ensured that the remuneration of employees was attractive and bonuses were given based on the performance of the employees in accordance with the general standards of salary policies of the Target Company.

For the period end from 18 June 2013 to 31 December 2013 and the two years ended 31 December 2014, 2015 and the three months ended 31 March 2016, the staff cost of the Target Company was nil, HK$130,000, HK$658,485 and HK$376,715 respectively, which included employees benefit expense, salaries and allowance, and pension scheme contributions.

Pledged of assets

The Target Company did not have any pledged of assets as at 31 December 2013, 2014 and 2015 and 31 March 2016.

Future plans for material investments or capital assets

The Target Company does not have any plans for material investments or capital assets in coming year.

4. Financial effects of the Acquisition

Earnings

Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the consolidated financial statements of the Group. As set out in the accountants' report on the Target Company in Appendix II to this circular, the revenue and profit after taxation reached approximately HK$2.3 million and HK$0.9 million for the three months ended 31 March 2016, respectively. After completion of the Acquisition, the revenue and profit after taxation of the Target Company will be consolidated in the consolidated financial statements of the Group.

Assets and liabilities

According to the Annual Report, the consolidated net assets of the Group as at 31 March 2016 was approximately HK$57,319,000 comprising total assets of HK$106,716,000 and total liabilities of approximately HK$49,397,000.

According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma net assets of the Enlarged Group would increase to approximately HK$230.3 million, comprising unaudited pro forma total assets of approximately HK$283.6 million and unaudited pro forma total liabilities of approximately HK$53.3 million. For further information, please refer to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular.

Transaction costs for the Acquisition

The transaction costs for the Acquisition are estimated to be approximately HK$5.1 million, which consist mainly of the professional fees directly attributable to the Acquisition.

5. Financial and trading prospects of the Enlarged Group

The Company is an investment holding company. The Group is principally engaged in the development, design and export of fashion accessories and gifts and sales of own brand fashion accessories. The Purchaser is an indirect wholly-owned subsidiary of the Company and is principally engaged in the trading of fashion accessories and investment holding.

As disclosed in the Annual Report, the Group recorded a total turnover of approximately HK$46,907,000 for the year ended 31 March 2016, representing a decrease of approximately 39.6% as compared with last year. The decrease was mainly due to the loss of major customers in customer's desired final design business following our factory disposal in December 2014, restructuring of our retail business and sluggish global economy.

With the rapid development of electronic commerce in recent years, it brought the huge and profound influence to brick and mortar business. The internet is constantly permeating traditional industries, and blurring the divisions across industries. The management of the Company considers that the integration between traditional industry and e-commerce represents the general market trend. Therefore, the Group has promoted the transformation of "Internet plus" innovation, and tried to seek suitable platforms, software companies, technical development personnel or other relative resources in the market, which would enable the Group's business operations to deeper integrate to internet, and bring the high-tech and big data to the conventional fashion jewelry industry. The management of the Company believes that the new concept of the combination of "Internet + Traditional accessories + Smart wearable + Big health + Big data", i.e. by using traditional accessories with smart wearable functions to provide health suggestions to customers based on users' data through the Internet in order to cater for the trends of healthy life, will be a broad prospective blue ocean in the future. Also, as mentioned in the section headed "REASONS FOR AND THE BENEFITS OF THE ACQUISITION AND THE SUBSCRIPTION", the Directors consider that the software and related applications developed by the Target Company are expected to enable the Group to expand its internet retail business.

6. Implication under the Listing Rules

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM. In addition, given the Acquisition and the Subscription are inter-conditional, the Company voluntarily complies with the reporting, announcement and Independent Shareholders' approval requirements in respect of the Acquisition under Chapter 14A of the Listing Rules.

III. SUBSCRIPTION

1. Principal Terms of the Subscription Agreement

Date:

13 April 2016 (after trading hours)

Parties:

(i) Subscriber: Walifax Investments Limited

(ii) Issuer: the Company

The Subscription Shares

The Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 2,440,000,000 Subscription Shares. As at the Latest Practicable Date, there were 2,569,840,644 Shares in issue and the Subscription Shares represent approximately 94.95% of all the issued shares of the Company as at the Latest Practicable Date and, assuming that there is no change in the share capital of the Company other than the issue of the Subscription Shares since the date of the Subscription Agreement up to completion of the Subscription, approximately 48.70% of all the issued shares of the Company upon completion of the Subscription as enlarged by the issue of the Subscription Shares.

Subscription Price:

The Subscription Price of HK$0.074 per Subscription Share represents:

(i) a discount of approximately 24.5% to the closing price of HK$0.0980 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 26.7% to the closing price of HK$0.101 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;

(iii) a discount of approximately 47.1% to the closing of HK$0.140 per share as quoted on the Stock Exchange on the Latest Practicable Date;

(iv) a discount of approximately 22.4% to the average closing price of HK$0.0954 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;

(v) a discount of approximately 22.5% to the average closing price of HK$0.0955 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;

(vi) a discount of approximately 26.9% to the average closing price of HK$0.1013 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day; and

(vii) a premium of approximately 98.4% over and above the Group's unaudited consolidated net asset value attributable to the Shareholders per Share as at 30 September 2015, the date to which the latest unaudited consolidated financial results of the Company were made up to, of approximately HK$0.0373 (based on a total of 2,569,840,644 Shares as at the Latest Practicable Date and the Group's unaudited consolidated net asset value attributable to the Shareholders of approximately HK$95,865,000 as at 30 September 2015).

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to, among other factors, the financial position of the Group, the historical trading volume of the Shares on the Stock Exchange and the recent trading prices of the Shares as quoted on the Stock Exchange. The total consideration for the Subscription Shares in the sum of HK$180,560,000 will be financed by internal resources available to the Subscriber.

Rankings:

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with all the other existing Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Specific mandate:

The Subscription Shares are to be issued pursuant to a special mandate to be sought from the Independent Shareholders by way of poll at the SGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Conditions precedent to the completion of the Subscription:

Completion of the Subscription is conditional upon the fulfillment of the following conditions precedent:

(i) the obtaining of the Whitewash Waiver, and if such approval is subject to any conditions imposed by the SFC, such conditions being reasonably acceptable to the Subscriber (it being acknowledged that any condition requiring the approval of

Shareholders other than the Subscriber or its associates (as defined in the Listing Rules) is acceptable to the Subscriber);

(ii) the Acquisition Agreement becoming unconditional in accordance with its terms;

(iii) the approval by the Shareholders who are not required to abstain from voting under the Listing Rules and the Takeovers Code of each of the following at the SGM in accordance with the requirements of the Listing Rules and the Takeovers Code:

(a) the Subscription Agreement and the transaction contemplated thereunder, including the allotment and issue under a specific mandate of the Subscription Shares;

(b) the Whitewash Waiver; and

(c) the Acquisition Agreement and the transactions contemplated thereunder;

(iv) the listing of, and permission to deal in, all the Subscription Shares having been granted by the Stock Exchange (either unconditionally or subject only to allotment and matters ancillary thereto) and if such approval is subject to any conditions imposed by the Stock Exchange, such conditions having been fulfilled;

(v) the Shares remaining listed and traded on the main board of the Stock Exchange at all times from the date of the Subscription Agreement up to the date of completion of the Subscription, save for any temporary suspension in connection with the approval and clearance of the documents relating to the transactions contemplated under the Subscription Agreement and the Acquisition Agreement by the SFC or the Stock Exchange prior to their release of publication;

(vi) no indication being received prior to the completion of the Subscription from the SFC and the Stock Exchange to the effect that the listing of the Shares on the main board of the Stock Exchange shall or may be withdrawn or objected to;

(vii) all the authorizations, approvals, consents, waives, and permits of the relevant authorities of the relevant jurisdictions which are necessary to give effect to the Subscription Agreement and the

Subscription as required by all laws or regulations applicable to the Company and the Subscriber having been granted, received and obtained, or where such approval, consent, waiver or permit is given subject to conditions, on such conditions as are acceptable to the Company and the Subscriber (as the case may be) acting reasonably;

(viii) the warranties made, or any of the undertakings given, by the Company under the Subscription Agreement remaining true and correct in all material respects; and

(ix) there not having occurred at any time any material adverse change or development in the financial or trading position of the Group.

None of the above conditions precedent can be waived by the parties to the Subscription Agreement, save that the Subscriber may, in its absolute discretion, waive the conditions precedent in paragraphs (viii) and (ix) above by notice in writing to the Company.

If all of the conditions precedent set out in the Subscription Agreement have not been fulfilled and/or waived (as the case may be) on or before the Long Stop Date or such other date as may be agreed by the Subscriber and the Company in writing, the Subscription Agreement will automatically terminate with immediate effect (other than the provisions in relation to, among others, notice, governing law and confidentiality, which shall survive), in which case, neither party thereto will have any liability to the other party save for any antecedent breaches of the Subscription Agreement.

None of the above conditions precedent has been fulfilled as at the Latest Practicable Date.

Completion of the Subscription:

Completion of the Subscription will, subject to the Whitewash Waiver and the listing permission contemplated in the condition precedent set out in paragraph (iv) of the sub-paragraph headed "Conditions precedent to the completion of the Subscription" not being revoked or withdrawn, take place on the second Business Day after the fulfillment or waiver of the conditions precedent to the completion of the Subscription (or such later date as parties to the Subscription Agreement may agree in writing).

Use of proceeds from the Subscription:

The gross proceeds from the Subscription and the net proceeds (after deducting estimated expenses, including mainly legal and professional fees) from the issue of the Subscription Shares) from the Subscription is estimated to be approximately HK$181 million and approximately HK$178 million, respectively. Based on the estimated net proceeds, the net subscription price would be approximately HK$0.073 per Subscription Share.

The Group intends to apply approximately HK$160 million of the net proceeds from the Subscription to finance the cash consideration for the Acquisition and to use approximately HK$18 million of the net proceeds from the Subscription as the general working capital of the Group.

2. Information on the Subscriber and Mr. Tse

The Subscriber is an investment holding company that is beneficially wholly-owned by Mr. Tse. As at the Latest Practicable Date, the Concert Group held 1,100,091,988 Shares, representing approximately 42.81% of all the issued shares of the Company.

Mr. Tse is the executive Director, chairman, and chief executive officer of the Company and possesses more than 20 years' experience in the fashion ornament and jewellery wholesale industry. He also has experience in property investment, mineral exploration and mineral trade and sales.

3. Intention of Subscriber

It is the intention of the Subscriber to maintain the listing of the Shares on the Stock Exchange and to maintain the existing business of the Group following completion of the Subscription. The Subscriber has no intention to introduce any major changes to the existing business, including any redeployment of the employees or the fixed assets of the Group after completion of the Subscription, nor to make any major changes to the continued employment of the employees of the Group, other than in its ordinary and usual course of business. The Subscriber and the Company will comply with the relevant requirements under the Listing Rules and the Takeovers Code in the event any possible diversification of the Group's business operations materializes after completion of the Subscription.

4. Listing Rules Implications

Since the Subscriber is a controlling shareholder of the Company, the Subscriber is a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders by way of poll at the SGM.

Save for Mr. Tse and the Subscriber (being a beneficially wholly-owned subsidiary of his), no other Shareholder is interested in the Acquisition, the Subscription and the Whitewash Waiver. Given the Subscriber is beneficially wholly owned by Mr. Tse and the Acquisition and the Subscription are inter-conditional, Mr. Tse, the Subscriber, their respective associates and parties acting in concert with any of them shall abstain from voting in respect of the resolution(s) approving the Acquisition, the Subscription (including the grant of a specific mandate for the issuance of new Shares pursuant to the Subscription) and the Whitewash Waiver at the SGM.

5. Takeovers Code Implications

As at the Latest Practicable Date, the Subscriber held 1,085,267,988 Shares, representing approximately 42.23% of the voting rights of the Company. Mr. Tse, being person acting in concert with the Subscriber, held 14,824,000 Shares, representing approximately 0.58% of the voting rights of the Company.

Upon completion of the Subscription, 2,440,000,000 Subscription Shares will be issued to the Subscriber, and the interests of the Concert Group in the voting rights of the Company will be increased from approximately 42.81% to approximately 70.66% (assuming that no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to completion of the Subscription). Accordingly, the Concert Group, in the absence of the Whitewash Waiver, would be obliged to make a general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by them.

An application to the Executive for the Whitewash Waiver has been made by the Subscriber. The Executive has agreed, subject to the approval of the Independent Shareholders at the SGM by way of poll and such other condition(s) as may be imposed by the Executive, to grant the Whitewash Waiver.

Each of the Subscriber and Mr. Tse has undertaken to the Company that apart from the Subscription Agreement, the Subscriber and Mr. Tse will not and each of them will procure persons acting in concert with each of them respectively will not from the date of the Subscription Agreement until the date of completion of the Subscription acquire or dispose of or enter into any agreement or arrangement to acquire or dispose of any voting rights in the Company.

Shareholders and potential investors should be aware that, upon completion of the Subscription, the Concert Group will hold more than 50% of the voting rights of the Company. Hence, the Subscriber may increase its holdings of voting rights of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

6. Information required under the Takeovers Code

Save as the Outstanding Option, as at the Latest Practicable Date, the Company does not have any options, warrants or convertible securities in issue.

The Subscriber has confirmed that, as at the Latest Practicable Date, neither the Subscriber nor any persons acting in concert with it:

(i) apart from 2,440,000,000 new Shares under the Subscription Agreement, has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company during the Relevant Period;

(ii) apart from the 14,824,000 Shares owned by Mr. Tse and the 1,085,267,988 Shares owned by the Subscriber (in which Mr. Tse is indirectly interested as the Subscriber is wholly-owned by Mr. Tse), and 26,671,400 Outstanding Options owned by Mr. Tse, owns, controls or has direction over any voting rights or rights over the Shares or any warrants, options, or convertible securities or derivatives of the Company, nor has entered into any outstanding derivative in respect of securities in the Company;

(iii) has made any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber and which might be material to the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver;

(iv) has any agreements or arrangements to which the Subscriber or parties acting in concert with it is a party which relate to the circumstances in which the Subscriber or parties acting in concert with it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver;

(v) has received any irrevocable commitment to vote for the resolution approving the transactions contemplated under the Subscription Agreement and/or the Whitewash Waiver; and

(vi) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

7. Fund raising activities in the past twelve months

Save as disclosed below, the Company has not undertaken any equity fund raising exercise during the past 12 months immediately preceding the date of the Announcement.

Date of announcement	**Fund raising activity**	**Net proceeds raised**	**Intended use of proceeds**	**Actual use of the net proceeds up to the date of this circular**
27 August 2015	Placing of new Shares under general mandate	Approximately HK$9,561,000	Hiring technical staff and implementing Marketing Channel Expansion	All used as intended

IV. REASONS FOR AND THE BENEFITS OF THE ACQUISITION AND THE SUBSCRIPTION

Reasons for the Acquisition

The Company is an investment holding company. The Group is principally engaged in the development, design and export of fashion accessories and gifts and sales of own brand fashion accessories. The Purchaser is an indirect wholly-owned subsidiary of the Company and is principally engaged in the trading of fashion accessories and investment holding.

With the growing popularity of online shopping, the Company considered that it is necessary to expand its internet retail market. The Company has over three years' experience in the internet retail business prior to entering into the Acquisition Agreement. The Company has considered expanding its internet retail business by outsourcing or acquiring the relevant software from the market. However, having considered that (i) the Company may not have full control in operation and efficient software/customization if it is outsourced; and (ii) the software require upgrades from time to time and/or continuous development in order to meet the fast-changing environment, the Directors are of the view that acquiring a company with existing technology, software and expertise is the most appropriate way to expand its internet retail market.

The Target Company is principally engaged in developing and selling software related application which can be purchased by businesses to facilitate distribution of their products and services via e-commerce. The management of the Target Company has over five years' experience in developing software related application for internet retail business. Three of the software developed by the Target Company, namely PrimeView 微信分銷管理平台軟件2.0.0 (PrimeView WeChat Sales Management Platform Software 2.0.0*), PrimeView 微信即時通訊平台軟件2.0.0 (PrimeView WeChat Instant Messaging Software 2.0.0*) and PrimeView 電子商城平台軟件2.0.0 (PrimeView Electronic Emporium Platform Software 2.0.0*) had been registered with 中華人民共和國國家版權局 (National Copyright Administration of the People's Republic of China) in February 2016.

As at the Latest Practicable Date, the existing product of the Target Company was Easy Shop, which is a multi-layer distribution system designed for use with WeChat, a telecommunications software developed primarily for smart phone. Through Easy Shop, WeChat users can be engaged as the distributor of an enterprise and market a product to friends in their circle. An enterprise can manage the distributors more effectively and efficiently by obtaining sales record of the distributors, the sales network of the distributors and monthly commission of the distributors through the backstage system of Easy Shop. Besides, Easy Shop can improve the seamless shopping experience across multiple channels, including both online and offline, to the customer. The software of Easy Shop can be modified for applying in other mobile shopping apps.

In light of the above, by using Easy Shop, the existing software developed by the Target Company, the Directors are of the view that the operation of the Company's internet retail business can be improved and expanded in below several ways:

(i) Engaging WeChat users as the Company's distributors to promote our products, which can boost our internet sales business;

(ii) Analysing customer's behavior and thereby improving our ability to assess and react to changes in consumer demand, preferences and tastes; and

(iii) Strengthening our inventory management and order management by reducing lead time.

Shareholders should note that the Target Company currently has only one product and five enterprises customers as at 31 May 2016 and thus its operation performance is currently solely reliant on this product and heavily reliant on few customers. The future business prospects of the Target Company depends on a number of factors including the following: (i) the continuous success of the Target Company's product; (ii) its successful development and launch of new software related application that is compatible with smart accessories; (iii) the renewal of the maintenance contracts with the existing customers; and (iv) its success in securing new customers in order to minimize the risk of customer concentration. There is no assurance that the existing software of the Target Company will continue to be well-received by the market or that the Target Company will be able to successfully develop and launch new software that is well-received by the market, or that the Target Company will be able to maintain its relationship with the customers or explore and secure new customers and in the event the existing/new software developed by the Target Company is not well-received by the market and/or its relationship with its customers cannot be maintained; and/or its customer base cannot be strengthened, the prospect, financial conditions and results of operations of the Enlarged Group will be materially and adversely affected.

Although the Target Company currently has only one product, in view of that the management of the Target Company has over five years of experience in developing software related application, the Directors believe the Target Company can still develop and launch of new software related application that is compatible with smart accessories, which can be (i) used by the Company to further expand its internet retail business or create synergy for the Group's existing business such as enhancement on the platform for the Group's existing sales, obtaining a better understanding on the customer's needs and spending behavior and further development on smart jewellery accessories; (ii) sold to other target customers to make profits.

Based on the above, the Directors are of the view that the software and related applications developed by the Target Company will enable the Group to expand its internet retail business, which would increase the sales of the Group's products and in turn improve the profitability and the competitiveness of the Group and is essential for the sustainable development of the Group in the long run. Taking into account the benefits of the Acquisition, the Directors are of the view that the terms of the Acquisition Agreement are normal commercial terms and are fair and reasonable and in the interests of the Independent Shareholders as a whole.

The Company has no plan to terminate the employment of any other employees or other personnel of the Target Company after the completion of the Acquisition, and will continue to operate the Target Company's business.

Reasons for the Subscription

Having considered that (i) the cash and cash equivalents of the Group as at 30 September 2015 was approximately HK$68 million as stated in the Interim Report, (ii) the Group used its internal resources to satisfy an aggregate consideration of RMB20 million (equivalent to approximately HK$23.8 million) for the acquisition by an indirect wholly-owned subsidiary of the Company of certain properties in Zhengzhou City in the PRC in March 2016, and (iii) the Group has utilised all of the net proceeds from the placing completed on 10 September 2015, the Directors are of the view that Company does not have sufficient cash to satisfy the consideration for the Acquisition.

The Company had considered the availability of the following funding alternatives (apart from the Subscription) for the cash consideration for the Acquisition and to increase the working capital of the Company:

(i) debt financing: the Board does not consider this to be appropriate for the Group since it would increase the gearing level of the Group and the Group would have to incur interest expenses which would impose additional financial burden on the Group's future cash flows;

(ii) equity financing through placement of new Shares to independent investors: the Company encountered difficulties in engaging a placing agent, which the Board believes to be attributable to the relative small market capitalization of the Company and the low trading volume of the Shares under the current market sentiment; and

(iii) a rights issue or an open offer: the Company encountered difficulties in procuring an independent underwriter in Hong Kong in underwriting a rights issue or an open offer of the Company. Moreover, in light of the uncertainty involved, the Subscriber was not willing to act as an underwriter of a right issue or an open offer.

In light of the above, the Company is of the view that equity financing by way of the Subscription is the most appropriate means of raising additional capital to finance the cash consideration for the Acquisition and to increase the working capital, as it is:

(i) more practicable and direct under a volatile market and the uncertain global market conditions currently prevailing;

(ii) less costly and no interest expenses will need to be paid;

(iii) less time consuming; and

(iv) in the interest of the Group and the Independent Shareholders as a whole, given it signifies the confidence of the Company's controlling shareholder in the existing and future development potentials of the Group.

Based on the above, the Directors (other than the independent non-executive Directors who will express their view after considering the advice from the Independent Financial Adviser in the letter from the Independent Board Committee in this circular) consider that the Subscription represents a straightforward and cost-effective means of financing for the Group, and the terms of the Acquisition Agreement, the Subscription Agreement and the Whitewash Waiver are fair and reasonable and on normal commercial terms, and in the interests of the Independent Shareholders as a whole.

V. EFFECT OF THE SUBSCRIPTION

The shareholdings in the Company as at the Latest Practicable Date and immediately after the completion of the Subscription (assuming there are no changes to the share capital and shareholding structure of the Company other than the issue of the Subscription Shares from the date of the Subscription Agreement up to the date of completion of the Subscription):

	As at the Latest Practicable Date		Immediately after completion of the Subscription (assuming no Outstanding Options are exercised)(Note 4)		Immediately after completion of the Subscription (assuming all Outstanding Option are exercised)(Note 4)	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Controlling Shareholder						
The Subscriber(Note 1)	1,085,267,988	42.23	3,525,267,988	70.37	3,525,267,988	65.43
Mr. Tse(Note 2)	14,824,000	0.58	14,824,000	0.29	41,495,400	0.77
Sub-total of the Subscriber and persons acting concert with it	1,100,091,988	42.81	3,540,091,988	70.66	3,566,763,388	66.20
Executive Director(s)						
Mr. Lin Shao Hua	–	–	–	–	26,671,400	0.50
Public						
Grantees of Outstanding Options (other than Mr. Tse and the Directors(Note 3)	–	–	–	–	324,699,800	6.03
Other Public Shareholders	1,469,748,656	57.19	1,469,748,656	29.34	1,469,748,656	27.27
	2,569,840,644	100.0	5,009,840,644	100.0	5,387,883,244	100.0

Notes:

1. The Subscriber is wholly-owned by Mr. Tse.

2. Mr. Tse is the executive Director, chairman and chief executive officer of the Company.

3. None of these grantee of the Outstanding Options is a director, chief executive or substantial shareholder of the Company, or any of their respective associates or parties acting in concert with the Subscriber.

4. Full exercise of the Outstanding Option would result in a maximum of 378,042,600 new Shares being fallen to be allotted and issued to its holders.

VI. GENERAL

A SGM will be convened to for the purpose of approving the Acquisition and the transactions contemplated thereunder, the Subscription and the transaction contemplated (including the grant of a specific mandate for the issue and allotment of the Subscription Shares pursuant to the Subscription), and the Whitewash Waiver, pursuant to the Listing Rules and Takeovers Code.

As at the Latest Practicable Date, the Vendors and Mr. Zhuang did not hold any Shares.

Pursuant to Rule 14A.40 of the Listing Rules, the Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise and to give a recommendation to the Independent Shareholders as to whether the terms of the Acquisition Agreement and the transactions contemplated thereunder and the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and as to voting at the SGM. Pursuant to Rule 2.1 of the Takeovers Code, the Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise and to give a recommendation to the Independent Shareholders on whether the terms of the Subscription and Whitewash Wavier are fair and reasonable, and as to voting at the SGM.

None of the members of the Independent Board Committee have any direct or indirect interest or involvement in the transactions contemplated under the Acquisition Agreement, the Subscription Agreement and/or the Whitewash Waiver.

VII. SPECIAL GENERAL MEETING

A notice convening the SGM to be held at 9/F., Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong on 26 August 2016 (Friday) at 9:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. Ordinary resolutions will be proposed at the SGM to consider and, if thought, fit, to approve (i) the Acquisition Agreement and the transaction contemplated thereunder; (ii) the Subscription Agreement and the transaction contemplated thereunder; and (iii) the Whitewash Waiver by way of poll, the result of which will be announced after the SGM.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy 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 holding the SGM or any adjournment thereof to the office of the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong. 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 in such event, the proxy shall be deemed to be revoked.

VIII. RECOMMENDATION

The Directors (including all the independent non-executive Directors after considering the advice of the Independent Financial Adviser) consider that (i) the Acquisition Agreement and the transaction contemplated thereunder are fair and reasonable and on normal commercial terms despite the entering into of the Acquisition Agreement being not in the ordinary and usual course of business of the Group; (ii) the Subscription Agreement and the transaction contemplated thereunder are fair and reasonable and on normal commercial terms despite the entering into of the Subscription Agreement being not in the ordinary and usual course of business of the Group; (iii) the Whitewash Waiver is fair and reasonable; (iv) the Acquisition Agreement and the transactions contemplated thereunder, the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver are in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the SGM to approve (i) the Acquisition Agreement and the transaction contemplated; (ii) the Subscription Agreement and the transaction contemplated thereunder; and (iii) the Whitewash Waiver.

Your attention is drawn to:

(a) this letter of the Board;

(b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 40 to 41 of this circular; and

(c) the letter from TC Capital International Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 42 to 89 in this circular.

IX. FURTHER INFORMATION

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

Yours faithfully,
By order of the Board
Artini China Co., Ltd.
Tse Hoi Chau
Chairman

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Acquisition Agreement, the Subscription Agreement and the Whitewash wavier.

ARTINI

ARTINI CHINA CO. LTD.

雅天妮中國有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 789)

11 August 2016

To the Independent Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTION RELATING TO THE ACQUISITION OF ENTIRE INTEREST IN THE TARGET COMPANY;
(2) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION FOR NEW SHARES BY A CONTROLLING SHAREHOLDER;
(3) APPLICATION FOR WHITEWASH WAIVER;
AND
(4) NOTICE OF SPECIAL GENERAL MEETING**

We refer to the circular dated 11 August 2016 (the "**Circular**") to the shareholders of the Company of which this letter forms apart. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed to form the Independent Board Committee to advise the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder, the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, details of which are set out in the "Letter from the Board" contained in the Circular. TC Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Details of the advice of and the principal factors and reasons TC Capital has taken into consideration in giving such advice, are set out in the "Letter from TC Capital" in the Circular. Your attention is also drawn to the "Letter from the Board" in the Circular and the additional information set out in the appendices thereto.

Having taken into account the terms of the Acquisition Agreement, the Subscription Agreement and the transactions respectively contemplated thereunder, the Whitewash Waiver and the advice of TC Capital, we are of the opinion (i) the terms of the Acquisition Agreement and the transaction contemplated thereunder are fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned, on normal commercial terms despite the entering into of the Acquisition Agreement being not in the ordinary and usual course of business of the Group and in the interests of the Group and the independent Shareholders as whole; (ii) the terms of the Subscription Agreement and the transaction contemplated thereunder are fair and reasonable so far as the independent Shareholders are concerned, on normal commercial terms despite the entering into of the Subscription Agreement being not in the ordinary and usual course of business of the Group and in the interests of the Group and the independent Shareholders as whole; and (iii) the granting of the Whitewash Waiver is fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole. We, therefore, recommend that you vote in favour of the resolutions to be proposed at the SGM to approve (i) the Acquisition Agreement and the transaction contemplated thereunder; (ii) the Subscription Agreement and the transaction contemplated thereunder; and (iii) the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Independent Board Committee

Lau Fai, Lawrence **Lau Yiu Kit** **Zeng Zhaohui**
Independent non-executive Directors

The following is the text of the letter of advice from TC Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.

TC CAPITAL

11 August 2016

The Independent Board Committee and the Independent Shareholders of
Artini China Co. Ltd.

Dear Sir/Madam,

(1) MAJOR TRANSACTION RELATING TO THE ACQUISITION OF ENTIRE INTEREST IN THE TARGET COMPANY; (2) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION FOR NEW SHARES BY A CONTROLLING SHAREHOLDER; AND (3) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition Agreement and the transactions contemplated thereunder, the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular of Artini China Co. Ltd. (the "**Company**") dated 11 August 2016 issued to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

On 13 April 2016 (after trading hours), the Purchaser (an indirectly wholly-owned subsidiary of the Company), the Vendors and the Guarantor entered into the Acquisition Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the Sale Shares (representing all the issued shares of the Target Company) for an aggregate consideration of HK$160 million. In addition, on 13 April 2016 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe for a total of 2,440,000,000 Subscription Shares at the price of HK$0.074 per Subscription Share.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the approval of the Independent Shareholders at the SGM. In addition, given the Acquisition and the Subscription are inter-conditional, the Company voluntarily complies with the reporting, announcement and Independent Shareholders' approval requirements in respect of the Acquisition under Chapter 14A of the Listing Rules.

The Subscriber is a controlling shareholder of the Company and is therefore a connected person of the Company. Accordingly, the Subscription constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders by way of poll at the SGM.

As at the Latest Practicable Date, the Subscriber held 1,085,267,988 Shares, representing approximately 42.23% of the voting rights of the Company. The Subscriber is wholly and beneficially owned by Mr. Tse who, in additional to his shareholding through the Subscriber, also held 14,824,000 Shares, representing approximately 0.58% of the voting rights of the Company as at the Latest Practicable Date. Upon completion of the Subscription, 2,440,000,000 Subscription Shares will be issued to the Subscriber, and the interests of the Concert Group in the voting rights of the Company will be increased from approximately 42.81% to approximately 70.66% (assuming that no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to completion of the Subscription). Accordingly, the Concert Group, in the absence of the Whitewash Waiver, would be obliged to make a general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by them.

An application to the Executive for the Whitewash Waiver has been made by the Subscriber. The Executive has agreed, subject to the approval of the Independent Shareholders at the SGM by way of poll and such other condition(s) as may be imposed by the Executive, to grant the Whitewash Waiver.

Given the Subscriber is beneficially wholly-owned by Mr. Tse and the Acquisition and the Subscription are inter-conditional, Mr. Tse, the Subscriber, their respective associates and parties acting in concert with any of them shall abstain from voting in respect of the resolution(s) approving the Acquisition, the Subscription (including the grant of a specific mandate for the issuance of new Shares pursuant to the Subscription) and the Whitewash Waiver at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lau Fai Lawrence, Mr. Lau Yiu Kit and Mr. Zeng Zhaohui, has been formed to give advice and recommendation to the Independent Shareholders in respect of the Acquisition Agreement and the transactions contemplated thereunder, the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

We have been appointed by the Company to advise (i) the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Acquisition Agreement and the Subscription Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole; (ii) the Independent Board Committee and the Independent Shareholders as to whether or not the Whitewash Waiver is fair and reasonable and in the interests of the Independent Shareholders as a whole; and (iii) whether the Independent Shareholders should vote in favour of the Acquisition Agreement and the transactions contemplated thereunder, the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of us.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Circular; (ii) the Acquisition Agreement and the Subscription Agreement; (iii) the annual report of the Company for the years ended 31 March 2014 (the "**2014 Annual Report**"), 31 March 2015 (the "**2015 Annual Report**") and 31 March 2016 (the "**2016 Annual Report**"); (iv) the accountants' report on the Target Company for the period from 18 June 2013 (i.e. date of incorporation) to 31 December 2013, for the years ended 31 December 2014 and 31 December 2015 and for the three months ended 31 March 2015 and 31 March 2016 as set out in Appendix II to the Circular (the "**Accountants' Report of the Target Company**"); and (v) relevant market data and information available from the website of Stock Exchange. We have also relied on all relevant information, opinions and facts supplied and represented by the Company, the Directors and the management of the Company. We have also studied the relevant market information and trends of the related industry. We have assumed that all such information, opinions, facts and representations, which have been provided to us by the Directors or the management of the Company, for which they are fully responsible, were true, accurate and complete in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the Directors and the management of the Company, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Company, the Target Company, the Subscriber and any of their respective subsidiaries and associates.

THE ACQUISITION

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

I. Background to and reasons for entering into the Acquisition Agreement

1. Background information of the Group, the Purchaser, the Vendors and the Target Company

a. Information on the Group and the Purchaser

As stated in the Letter from the Board, the Company is an investment holding company. The Group is principally engaged in the development, design and export of fashion accessories and gifts and sales of own brand fashion accessories. The Purchaser is an indirect wholly-owned subsidiary of the Company and is principally engaged in the trading of fashion accessories and investment holding.

As discussed with the management of the Company, the business of the Group has long been experiencing difficulties due to the weakened consumer sentiment caused by economic uncertainties in the PRC and sluggish performance of the European economy. In the latest three consecutive financial years that we have reviewed, the Group recorded substantial amount of losses. In order to achieve a business model breakthrough and strength its corporate image in the future, the Group continued to enhance the establishment and development of its e-commerce platform so as to devise new business models targeting Internet users. As stated in the 2016 Annual Report, the Group will promote the transformation of the "**Internet Plus**" innovation, and tried to seek suitable platforms, software companies, technical development personnel or other relative resources in the market, which would enable the Group's business operations to deeper integrate to internet, and bring the high-tech and big data to the conventional fashion jewelry industry.

Set out below is the financial information as extracted from the 2014 Annual Report, the 2015 Annual Report and the 2016 Annual Report:

	For the year ended 31 March		
	2016	**2015**	**2014**
	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*
Turnover	46,907	77,707	173,236
Loss before tax	(100,019)	(90,972)	(105,578)
Loss for the year	(100,030)	(90,990)	(108,320)

	As at 31 March		
	2016	**2015**	**2014**
	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*
Total assets	106,716	156,062	126,098
Total liabilities	49,397	25,953	66,695
Net assets	57,319	130,109	59,403
Pledged bank deposits and cash and cash equivalents	10,858	122,822	11,717

As depicted by the table above, the Group has recorded net loss for the three years ended 31 March 2014, 31 March 2015 and 31 March 2016.

According to the 2014 Annual Report and the 2015 Annual Report, the net loss of the Group for the two years ended 31 March 2015 was mainly attributable to (i) a decrease in turnover of the Group of approximately 55.1% from approximately HK$173.2 million for the year ended 31 March 2014 to approximately HK$77.7 million for the year ended 31 March 2015; (ii) a significant amount of selling and distribution expenses of the Group of approximately HK$30.6 million and HK$97.8 million for the years ended 31 March 2014 and 2015 respectively, which represented approximately 17.7% and 125.9% of the respective turnover, as a result of promotion for the retailing business; and (iii) a significant amount of administrative expenses of the Group of approximately HK$78.3 million and HK$39.9 million for the years ended 31 March 2014 and 2015 respectively, which represented approximately 45.2% and 51.3% of the respective turnover. Administrative expenses of the Group primarily comprised fixed assets depreciation, staff costs (including directors' remuneration) and legal and professional fee. The decrease in administrative expenses of the Group for the year ended 31 March

2015 as compared with the previous year was mainly due to the decrease in staff costs (including directors' remuneration). There was a decrease in staff as the Group disposed its manufacturing arms in December 2014.

According to the 2016 Annual Report, the increase of loss of the Group for the year ended 31 March 2016 was attributable to (i) the decrease in the Group's turnover of approximately 39.6% for the year ended 31 March 2016 as compared to that of the year ended 31 March 2015, mainly due to economic uncertainties in the PRC and the restructuring of the location of retailing points; (ii) the increase in selling expenses as a result of continuous promotion of the retailing business in order to maintain the Group's brand; (iii) the effect of share based payment expenses arising from the grants of share options by the Company in July and November 2015; (iv) losses on disposals of the investment properties for the year ended 31 March 2016 (as compared to gains on disposal of properties recorded for the year ended 31 March 2015); and (v) no significant gain on disposals of the subsidiaries for the year ended 31 March 2016 (as compared to significant gains on disposals of subsidiaries recorded for the year ended 31 March 2015).

Total assets and net assets of the Group were generally shrinking in the three years ended 31 March 2016, from approximately HK$126.1 million and HK$59.4 million as at 31 March 2014 to approximately HK$106.7 million and HK$57.3 million as at 31 March 2016, respectively. The decrease in total assets and net assets was mainly due to continuous sub-optimal operating performance of the Group. Pledged bank deposits and cash and cash equivalents of the Group were also shrinking over the period, from approximately HK$11.7 million as at 31 March 2014, increased to approximately HK$122.8 million as at 31 March 2015 and then decreased to approximately HK$10.9 million as at 31 March 2016. The increase in pledged bank deposits and cash and cash equivalents of the Group as at 31 March 2015 was mainly due to (i) proceeds from an open offer undertaken by the Company in November 2014; (ii) proceeds from sales of office premise in Hong Kong; and (iii) the proceeds from disposal of TCK Company Limited and its wholly owned subsidiary, the manufacturing arms of the Group, during the year ended 31 March 2015. The decrease in pledged bank deposits and cash and cash equivalents of the Group as at 31 March 2016 was mainly due to the losses in the operation for the year ended 31 March 2016.

All net proceeds from the placing of the Shares in the Company, which was completed in September 2015, had been utilised.

b. Information on the Vendors

As stated in the Letter from the Board, the principal business of each Vendor is investment holding. Mr. Zhuang is the sole director and ultimate legal and beneficial owner of each Vendor. The Vendors and Mr. Zhuang are Independent Third Parties and as at the Latest Practicable Date, did not hold any Shares.

c. Information on the Target Company

As set out in the Letter form the Board, the Target Company is a company incorporated in Hong Kong with limited liability that is principally engaged in developing and selling software related applications which can be purchased by businesses to facilitate e-commerce of their products and services. As at the Latest Practicable Date, the Target Company was owned as to 94% by Stand Charm and 6% by Dragon Max.

The management of the Company advised that the Target Company commenced operation in September 2013. The management of the Target Company has over five years' experience in developing software related application for internet retail business. Three of the software developed by the Target Company, namely PrimeView 微信分銷管理平臺軟件 2.0.0 (PrimeView WeChat Sales Management Platform Software 2.0.0*), PrimeView 微信即時通訊平臺軟件 2.0.0 (PrimeView WeChat Instant Messaging Software 2.0.0*) and PrimeView 電子商城平臺軟件 2.0.0 (PrimeView Electronic Emporium Platform Software 2.0.0*) had been registered with 中華人民共和國國家版權局 (National Copyright Administration of the People's Republic of China) in February 2016.

As stated in the Letter from the Board, as at the Latest Practicable Date, the existing product of the Target Company was 易銷E店 (Easy Sales Electronic Shop*) ("**Easy Shop**"), which is a multi-layer distribution system designed for use with WeChat, a telecommunications software developed primarily for smart phone. Through Easy Shop, WeChat users can engage as the distributor of an enterprise and market a product to friends in their circle. An enterprise can manage the distributors more effectively and efficiently by obtaining sales record of the distributors, the sales network of the distributors and monthly commission of the distributors through the backstage system of Easy Shop. Besides, Easy Shop can improve the seamless shopping experience across multiple channels, including both online and offline, to the customer. The software of Easy Shop can be modified for applying in other mobile shopping apps.

The management of the Company believes that these marketing tools represent a new trend of e-commerce with the potential to boost the sales of the end sellers, who are the target customers of the Target Company. Moreover, the Target Company has the resources to develop software for the intellectual technology to be installed in the fashionable and smart accessories which the Group plans to promote as mentioned in the paragraph headed "Reasons and benefits for entering into the Acquisition Agreement" below.

Although the Target Company currently has only one product, in view of that the management of the Target Company has over five years of experience in developing software related application for internet retail business (the management of the Company advised that the 5 employees of the Target Company who have more than five years of experience in developing software related application have developed 8 applications), the Directors believe the Target Company can still develop and launch new software related application that is compatible with smart accessories, which can be (i) used by the Company to further expand its internet retail business or create synergy for the Group's existing business such as enhancement on the platform for the Group's existing sales, obtaining a better understanding on the customer's needs and spending behavior and further development on smart jewellery accessories; and (ii) sold to other target customers to make profits.

The Company has no plan to terminate the employment of any other employees or other personnel of the Target Company after the completion of the Acquisition, and will continue to operate the Target Company's business.

Financial information and business model

Set out below is certain financial information of the Target Company as extracted from the Accountants' Report of the Target Company, prepared in accordance with generally accepted accounting standards in Hong Kong, which is included in Appendix II to the Circular:

	For the period from 18 June 2013 (date of incorporation) to 31 December 2013	For the year ended 31 December 2014	For the year ended 31 December 2015	For the three months ended 31 March	
	2013	2014	2015	2015	2016
	(audited)	(audited)	(audited)	(unaudited)	(audited)
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Turnover	11	1,162	12,295	–	2,328
(Loss)/profit before tax	(11)	(52)	9,659	(107)	1,108
(Loss)/profit for the period/year	(11)	(52)	8,095	(107)	925

The audited net assets of the Target Company as at 31 December 2015 and 31 March 2016 was approximately HK$8.2 million and HK$9.1 million respectively.

As depicted by the table above, turnover of the Target Company increase from approximately HK$11,000 for the period from 18 June 2013 (date of incorporation) to 31 December 2013 to HK$1,162,000 (all of which is revenue from sale of goods (i.e. sale of mobile phones installed with Easy Shop)) for the year ended 31 December 2014 and further to approximately HK$12,295,000 (of which revenue from sale of goods (i.e. sale of mobile phones installed with Easy Shop) is approximately HK$1,148,000 and provision of software-related application developing service (i.e. sale of Easy Shop together with the provision of maintenance services on Easy Shop) is approximately HK$11,147,000)) for the year ended 31 December 2015, representing an increase of approximately 958.1%. Turnover of the Target Company increased from nil for the three months ended 31 March 2015 to approximately HK$2,328,000 (all of which is provision of software-related application developing service (i.e. sale of Easy Shop and revenue of maintenance services on Easy Shop with existing customers)) for the three months ended 31 March 2016. The increase in turnover for the year ended 31 December 2014 and 31 December 2015 and for the three months ended 31

March 2016 was mainly due to (i) the Target Company commenced its operation in September 2013 and generated its revenue largely starting from May 2014; and (ii) the Target Company had successfully marketed its products to customers in a number of industries, including frozen and processed food distribution, as well as merchandise and jewellery retail for the year. In 2014, the Target Company targeted the individual seller in WeChat, so it sold mobile phones installed with Easy Shop to a wholesaler of mobile phones. In 2015, the Target Company targeted small medium enterprises and these customers will afford the maintenance fees. Thus the Target Company had secured a number of software maintenance contracts for the year ended 31 December 2015 and the three months ended 31 March 2016. The Target Company recorded a profit of approximately HK$8,095,000 for the year ended 31 December 2015 as compared to a loss of approximately HK$52,000 for the year ended 31 December 2014 and a loss of approximately HK$11,000 for the period from 18 June 2013 (date of incorporation) to 31 December 2013. In addition, the Target Company recorded a profit of approximately HK$925,000 for the three months ended 31 March 2016 as compared to a loss of approximately HK$107,000 for the three months ended 31 March 2015. The Target Company had a profit for the year ended 31 December 2015 and for the three months ended 31 March 2016 was mainly due to the increase in turnover while most of the operating costs of the Target Company was fixed cost. The relatively modest net profit of the Target Company for the three months ended 31 March 2016 was mainly influenced by (i) the decrease in monthly maintenance income, as there were slight adjustments on the monthly maintenance fee after the renewal of software maintenance contracts with customers in January 2016; and (ii) the increase in monthly staff costs from approximately HK$200,000 in December 2015 to approximately HK$320,000 in March 2016, as more sale personnel and technical staff who are responsible for the maintenance services and the product development has been employed in the first quarter of 2016 in order to cope with the future development of the Target Company.

As stated in the Letter from the Board, for the period from 18 June 2013 (date of incorporation) to 31 December 2014, there is no revenue generated from the software-related application development service segment as none of the customers who bought the mobile phone which installed with Easy Shop had entered into software maintenance contract with the Target Company.

As the Target Company expected that the revenue from software-related application development service will be the major income and account for a significant proportion of its revenue in the next few years when compared with the revenue from sales of goods, for the year ended 31 December 2015, the Target Company is focusing on soliciting customers who would like to use the software maintenance service by entering software maintenance contracts with them. At the same time, the Target Company were also selling mobile phone which installed with Easy Shop to those customers. Eventually, the Target Company can (i) maintain a long term relationship with its existing customers by providing maintenance services to them; and (ii) generate stable revenue from such customers in the future.

From year 2016 onwards, other than selling the mobile phone installed with Easy Shop, the Target Company also sold Easy Shop as a standalone product to individual end-users directly. The Target Company will provide individual end-users with an user manual and online assistance to assist them to install Easy Shop by themselves. With this new selling channel, the Target Company believed that the standalone products can target new customers who desire flexibility in hardware, such as mobile phones and computers, and eventually maximize the number of customers.

For the period from 18 June 2013 (date of incorporation) to 31 December 2013, the two years ended 31 December 2015, and the three months ended 31 March 2015 and 2016, revenue generated from sales of goods were approximately HK$10,906, HK$1,162,005, HK$1,147,923, nil and nil respectively. After the successful development of Easy Shop in 2013, the Target Company started outsourcing the production process of installing Easy Shop in the mobile phones to third party manufacturers and subsequently the Target Company purchased the goods from such manufacturers and resold to its customer. Those mobile phones were not manufactured by the Target Company. For the period from 18 June 2013 (date of incorporation) to 31 December 2013, the two years ended 31 December 2015 and the three months ended 31 March 2015 and 2016, 8, 500, 524, nil and nil mobile phones were respectively sold.

In 2014, the Target Company had only one customer, which was a wholesaler of mobile phones. In 2015, the Target Company had four new customers which (i) were small and medium enterprises from different industries, including frozen and processed food industry and jewellery industry; and (ii) engaged the Target Company to provide maintenance services. While these customers entered into the software maintenance contracts (including sale of Easy Shop) with the Target Company and paid monthly maintenance fee to the Target Company, the Target Company also sold to them mobile phones which installed with the Easy Shop. For the three months ended 31 March 2016, the Target Company renewed the software maintenance contracts with four existing customers. Also, for the three months ended 31 March 2016, it also sold the Easy Shop as a standalone product to five individual end-users. For the period from 18 June 2013 (date of incorporation) to 31 December 2013, the two years ended 31 December 2014 and 2015, and the three months ended 31 March 2015 and 2016, revenue generated from software-related application development service were nil, nil, approximately HK$11,147,260, nil and approximately HK$2,328,309 respectively.

As the maintenance services provided by the Target Company include (i) modifying the software in response to the markets needs from time to time (whereas the software prohibits any modification without authorisation by the Target Company); and (ii) providing training to customers' staff, the nature of software maintenance contract is different from license agreement for its customers to use Easy Shop. Once the Easy Shop is installed in the mobile phone, the customer can access to it without paying any further license fee.

The management of the Company advised that the Target Company had four and five customers as at 31 December 2015 and 31 May 2016 respectively. To the best knowledge of the Directors, all customers of the Target Company are Independent Third Parties. Four of these five existing customers of the Target Company started the relationship with the Target Company in 2015.

Shareholders should note that the Target Company currently has only one product and five enterprises customers as at 31 May 2016 and thus its operation performance is currently solely reliant on this product and few customers. The future business prospects of the Target Company depends on a number of factors including in the following: (i) the continuous success of the Target Company's product; (ii) its successful development and launch of new software related application that is compatible with smart accessories; (iii) the renewal of the maintenance contracts with the existing customers; and (iv) its success in securing new customers in order to minimize the risk of customer concentration. There is no assurance that the existing software of the Target Company will continue to be well-received by the market, or that the Target Company will be able to successfully develop and launch new software that is well-received by the market or that the Target Company will be able to maintain its relationship with the customers or explore and secure new customers, and in the event the existing/new software developed by the Target Company is not well-received by the market and/or its relationship with its customers cannot be maintained, and/or its customer base cannot be strengthened, the prospect, financial conditions and results of operations of the Enlarged Group will be materially and adversely affected.

Industry overview

Overview of the online retailing in Asian markets

According to a report namely "2015-16 Outlook for the retail and consumer products sector in Asia" (the "**2015-16 Outlook Report**") issued by PricewaterhouseCoopers Limited in February 2015, Asian markets, especially China, are driving growth in e-commerce globally. They are also well primed for sales made using mobile devices (m-commerce) and social media (s-commerce). The latter is still nascent, but interest has been lodged by Asian firms. Japanese e-commerce firm Rakuten has invested heavily in online pinboard community Pinterest, with a view to using the network as a storefront for popular items. Alibaba's purchase of a US$586 million stake in Sina Weibo in 2013, a Chinese Twitter-like service, has highlighted the value that social media could hold for online retailers.

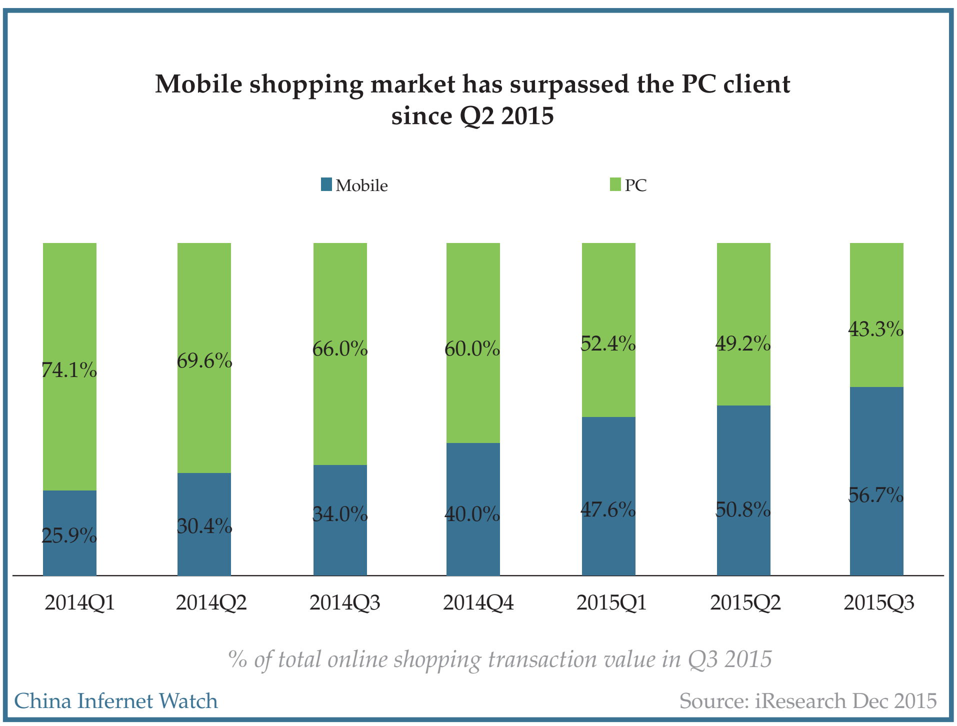
According to the 2015-16 Outlook Report, McKinsey, a management consultancy, expects Chinese e-commerce sales to reach US$650 billion by 2020. In China, mobile payments accounted for 8% of total online transactions in 2013, up from just 1.5% in 2011. Data from iResearch show that 26% to 30% of web visits (through browsers and apps) are made by smartphones and tablets, and mobile devices already contribute to 15% of orders. According to the 2015-16 Outlook Report, if the current trend continues, there is a high likelihood that mobile payments will account for 20%-30% of online transactions by 2016.

According to the 2015-16 Outlook Report, Hong Kong's heavily-concentrated population and high level of Internet penetration make it a promising prospect for online retail. A culture that favours bargain-hunting and a hands-on shopping experience will mean that a large amount of shopping continues to be done offline. Yet, couponing and Groupon-type sites, as well as social media or mobile applications linking location services to special offers, are increasingly blurring the line between online and bricks-and-mortar retail.

Overview of the China mobile shopping market and the China mobile social networking Apps

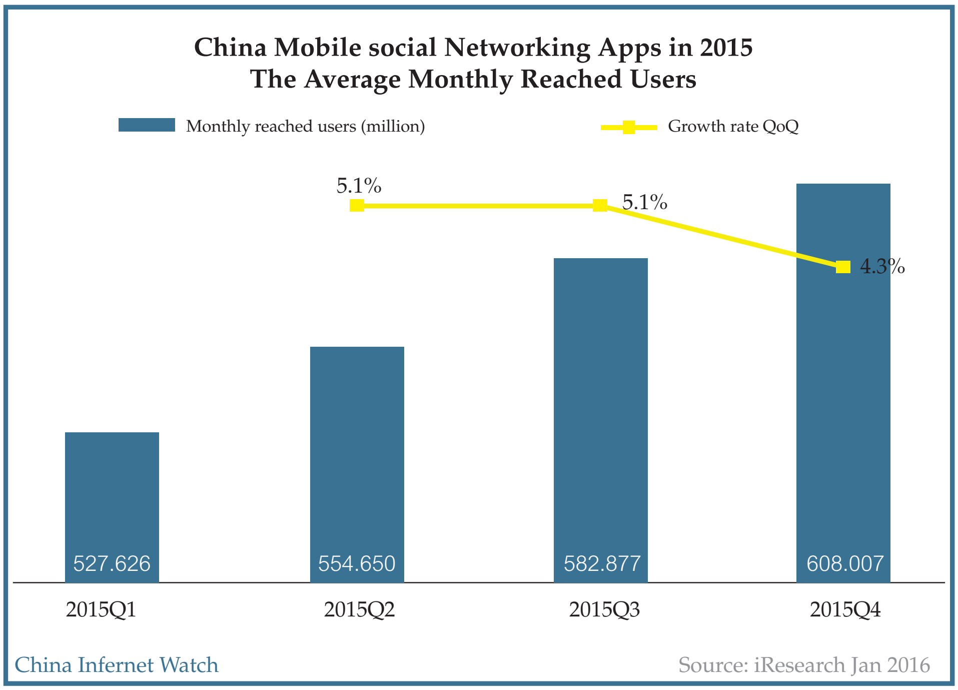
As we have not found any official statistics on mobile shopping market and the mobile social networking Apps in China, we have reviewed two articles on the website of China Internet Watch. According to the website of China Internet Watch, China Internet Watch is part of Incitez Pte. Ltd. China Internet Watch shares China market intelligence, online insights, China Internet statistics, online trends and marketing strategies. According to the website of Incitez Pte. Ltd. Incitez Pte. Ltd. is a data-driven digital marketing company based in Singapore with another office in China providing digital strategy consulting and digital development, with experts in digital marketing for over 10 years Having assessed the background of China Internet Watch, we consider it is appropriate and fair to quote the articles.

According to an article namely "China's Mobile Shopping Exceeded US80 billion in Q3 2015" dated 25 January 2016 issued on the website of China Internet Watch, China's mobile shopping market reached more than RMB519.99 billion with an increase of 120.9% quarter-on-quarter in third quarter of 2015 according to iResearch. Mobile shopping market has developed quickly in China. The growth rate of mobile shopping came faster than the overall online shopping market in third quarter of 2015. Mobile shopping transaction sales reached RMB519.99 billion in third quarter of 2015 accounting for 56.7% of total internet shopping sales.



Mobile shopping continued to reach China internet users. Transactions on mobile client accounted for 56.7% overall online sales with 5.9% higher compared to the previous quarter and 22.7% higher compared to the same period last year.

According to an article namely "Top 6 China Mobile Social Networking Apps" dated 7 April 2016 issued on the website of China Internet Watch, the average monthly reached users by mobile social networking apps in China exceeded 608 million in fourth quarter of 2015 according to data from iResearch. China's top 6 mobile social apps by the total number of monthly reached users in fourth quarter of 2015 are WeChat/Weixin (535 million), QQ (496 million), Momo (56.9 million), Aliwangwang (27.4 million), Yixin (14.4 million), and DDChong (8.83 million; formerly called Laiwang).



According to an article namely "WeChat is the cornerstone of e-commerce in China" published on the website of WeChat Marketing Experts, Chinese internet users shift from computers to cell phones. In 2016 Chinese New Year, WeChat has seen a total of 8.08 billion transactions via red envelopes which is almost double what PayPal did 4.9 billion transactions in entire year 2015.

2. Reasons and benefits for entering into the Acquisition Agreement

As stated in the 2016 Annual Report, in the past, the retail market continued to deteriorate without any abating. Because of the high rental of shopping mall spaces and declining customer flows, the management of the Company has been exploring means to expand its distribution channel outside of the Group's existing retail business model.

As stated in the 2016 Annual Report, with the rapid development of electronic commerce in recent years, it brought the huge and profound influence to brick and mortar business. The internet is constantly permeating traditional industries, and blurring the divisions across industries. The management of the Company considers that the integration between traditional industry and e-commerce represents the general market trend. Therefore, the Group has promoted the transformation of "Internet Plus" innovation, and tried to seek suitable platforms, software companies, technical development personnel or other relative resources in the market, which would enable the Group's business operations to deeper integrate to internet, and bring the high-tech and big data to the conventional fashion jewelry industry. The completion of the Acquisition is expected to bring synergy with the Group's existing business, such as enhancement on the platform for the Group's existing online sales, obtaining a better understanding on the customer's needs between both sides in its retail and internet sales and further development on smart jewellery accessories. The management of the Company believes that the new concept of the combination of "Internet + Traditional accessories + Smart wearable + Big health + Big data" (i.e. by using traditional accessories with smart wearable functions to provide health suggestions to customers based on users' data through the Internet in order to cater for the trends of healthy life) will be a broad prospective blue ocean in the future. In order to implement such new concepts, the Target Company will assist the Company in developing softwares to transmit the data, such as the amounts of calories consumed each day collected from the smart wearable into the health information which can be used by the customers in their mobile phone and enable them to have a better understanding about their personal health, so that they can improve their health accordingly. The Company will continue to review its retail business model after completion of the Acquisition and will consider means to optimise deployment of resources as and when appropriate.

As stated in the Letter from the Board, with the growing popularity of online shopping, the Company considered that it is necessary to expand its internet retail market. The Company has over three years' experience in internet retail business prior to the entering into the Acquisition Agreement. The Company has considered expanding its internet retail business by outsourcing or acquiring the relevant software from the market. However, having considered that (i) the Company may not have full control in operation and efficient software customization if it is outsourced; and (ii) the software require upgrades from time to time and/or continuous development in order to meet the fast-changing environment, the Directors are of the view that acquiring a company with existing technology, software and expertise is the most appropriate way to expand its internet retail market.

By using Easy Shop, the existing software developed by the Target Company, the Directors are of the view that the operation of the Company's internet retail business can be improved and expanded in below several ways:

(i) engaging WeChat users as the Company's distributors to promote its products, which can boost its internet sales business;

(ii) analysing customer's behavior and thereby improving the Company's ability to assess and react to changes in consumer demand, preferences and tastes; and

(iii) strengthening the Company's inventory management and order management by reducing lead time.

Based on the above, the Directors are of the view that the software and related applications developed by the Target Company will enable the Group to expand its internet retail business, which would increase the sales of the Group's products and in turn improve the competitiveness of the Group and is essential for the sustainable development of the Group in the long run. Moreover, the Directors expected that there will be synergy to be created for the Group's existing business after completion of the Acquisition, such as enhancement on the platform for the Group's existing online sales, obtaining a better understanding on the customer's needs and spending behavior and further development on smart jewellery accessories.

As discussed with the management of the Company, the Company considers the Acquisition would enable the Company to expand its business into application software industry, especially application software applied in mobile shopping. Through the Acquisition, the Group would be able to generate income from sale of goods (i.e. sale of smartphone installed with Easy Shop) and/or provision of software-related application developing service (i.e. sale of Easy Shop and/or provision of maintenance services to the platform). The Company confirmed that they will not change the above existing business model of the Target Company immediately after the completion of the Acquisition.

Having taken into account (i) the Acquisition is in line with the Group's business development strategy as mentioned above, i.e. (a) the Target Company will enable the Group to expand its internet retail business and can develop software for the intellectual technology to be installed in the fashionable and smart female health products to be developed by the Group; and (b) the Acquisition would enable the Company to expand its business into application software industry, especially application software applied in mobile shopping; and (ii) the Target Company was making profit for the year ended 31 December 2015 and the three months ended 31 March 2016 as mentioned in the paragraph headed "Information on the Target Company" above, we consider that the entering into the Acquisition Agreement is fair and reasonable insofar as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole, despite the entering into the Acquisition Agreement being not in the ordinary and usual course of business of the Group.

II. Principal terms of the Acquisition Agreement

On 13 April 2016 (after trading hours), the Purchaser, the Vendors and the Guarantor entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell the Sale Shares (representing all the issued shares of the Target Company) for an aggregate consideration of HK$160 million. The principal terms of the Acquisition Agreement have been set out in the Letter from the Board and are summarized below.

Date:	13 April 2016 (after trading hours)
Parties:	Artini Sales Company Limited (as the Purchaser) Stand Charm and Dragon Max (as the Vendors) Mr. Zhuang (as guarantor of the Vendors' obligations under the Acquisition Agreement)
Assets being acquired:	The Sale Shares, representing all the issued shares of the Target Company. Upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company.
Consideration of the Acquisition Agreement:	The consideration for the Acquisition under the Acquisition Agreement is HK$160 million in total and all payments will be apportioned between Stand Charm and Dragon Max as to 94% and 6% respectively, proportionate to their respective shareholding in the Target Company. The consideration is payable to a designated account of the Vendors in three installments as follows: (i) HK$100 million within 14 days of completion of Subscription; (ii) HK$30 million within 14 days after completion of and an agreement being reached between the Purchaser and the Vendors on the Target Company's June 2016 Accounts and provided that the profit after tax attributable to shareholders based on such unaudited management accounts is not less than HK$5 million; and

(iii) HK$30 million within 14 days after completion of and an agreement being reached between the Purchaser and the Vendors on the Target Company's December 2016 Accounts for the full year ending 31 December 2016 and provided that the profit after tax attributable to shareholders is not less than HK$11 million.

For the avoidance of doubt:

(i) the second installment of the consideration for the Acquisition will only be payable when (a) the Target Company's June 2016 Accounts is available and has been agreed upon by the Purchaser and the Vendors; and (b) the profit after tax attributable to the shareholders of the Target Company as set out in the Target Company's June 2016 Accounts is not less than HK$5 million. As at the Latest Practicable Date, the Vendors had prepared the Target Company's June 2016 Accounts, the contents of which were still pending agreement by the Company for the purpose of the Acquisition Agreement; and

(ii) the third installment of the consideration for the Acquisition will only be payable when (a) the Target Company's December 2016 Accounts is available and has been agreed upon by the Purchaser and the Vendors; and (b) the profit after tax attributable to shareholders of the Target Company as set out in the Target Company's December 2016 Accounts is not less than HK$11 million.

Further updates in respect of the determination of the consideration under the Acquisition Agreement will be disclosed by the Company by way of an announcement or disclosure in its annual report as and when appropriate.

Conditions precedent: Completion of the Acquisition is conditional upon, among other things, upon the fulfillment of the following conditions precedent:

(i) the Whitewash Waiver being granted by the Executive;

(ii) all the conditions precedent under the Subscription Agreement (except the satisfaction of conditions precedent under the Acquisition Agreement) having been satisfied (including, among other things, the approval by the Independent Shareholders of the Acquisition Agreement and the transactions contemplated thereunder);

(iii) each key employee of the Target Company (including Mr. Zhuang) as specified in the Acquisition Agreement (none of whom was a Shareholder as at the Latest Practicable Date) having signed an employment contract with the Purchaser or its nominee in the form and substance satisfactory to the Purchaser and effective on the date of completion of the Acquisition;

(iv) the Purchaser having completed the financial and legal due diligence review on the Target Company and being satisfied with the results of such review in all aspects;

(v) all necessary approvals and/or consents in relation to authorizing the execution, delivery and performance of the Acquisition Agreement and the transactions contemplated thereunder having been obtained by the Vendors and/or the Target Company;

(vi) the consummation of the transactions contemplated under the Acquisition Agreement not having been restrained, enjoined or otherwise prohibited by any applicable laws and regulations, any order, injunction, decree or judgment of any court or other governmental authority;

(vii) all representations, warranties and undertakings given by the Vendors under the Acquisition Agreement remaining true, accurate and complete, and none of the provisions of the Acquisition Agreement having been breached in any material respect; and

(viii) there being no material adverse change in the financial position, business or operations of the Target Company.

Any of the above conditions precedent (other than in paragraphs (i) and (ii) above) can be waived by the Purchaser.

If all of the conditions precedent set out in the Acquisition Agreement have not been fulfilled and/or waived (as the case maybe) on or before the Long Stop Date or such other date as may be agreed by the Vendors and the Purchaser, each of the Vendors and the Purchaser has the right to terminate the Acquisition Agreement (other than the provisions in relation to, among others, confidentiality, notice and governing law, which shall survive) and thereafter no party shall have any liability save for antecedent breaches. As at the Latest Practicable Date, condition (v) set out above has been fulfilled.

Completion of the Acquisition: Completion of the Acquisition will, subject to all the conditions precedent set out above (to the extent not waived) being fulfilled, take place on the fourth Business Day after the date of the fulfillment or waiver of such conditions precedent or such later date as the parties to the Acquisition Agreement may agree in writing.

As stated in the Letter from the Board, Mr. Zhuang is one of the key employees of the Target Company. The management of the Company advised that each key employee of the Target Company will sign the employment contract in the form provided by the Company before the completion of the Acquisition. The management of the Company further advised that the purpose of such arrangement is to ensure smooth operations of the Target Company immediately after the Completion and the Company did not take into account of such arrangement in determining the consideration for the Acquisition.

III. Evaluation of the consideration for the Acquisition

As stated in the Letter from the Board, the consideration for the Acquisition was arrived at based on normal commercial terms after arm's length negotiation between the Purchaser and the Vendors with reference to, among the other things, (i) the historical financial performance of the Target Company; (ii) the growth and development potential and prospect of the Target Company, having considered the fact that the Target Company (a) was making profit for the year ended 31 December 2015 and the three months ended 31 March 2016; (b) has stable monthly maintenance income from software maintenance contract which are renewable annually; and (c) has the resources to develop software related application that is compatible with smart accessories; (iii) the anticipated synergy to be created for the Group's existing business after completion of the Acquisition, such as enhancement on the platform for the Group's existing online sales, obtaining a better understanding on the customer's needs and spending behavior and further development on smart jewellery accessories; and (iv) the historical price-to-earnings ratio of selected comparable companies that (a) are currently listed on the Main Board of the Stock Exchange; and (b) are primarily engaged in software related application business in Hong Kong and the PRC.

Given the fact that (i) at 12 April 2016, the historical price-to-earning ratio of the comparable companies mentioned above in 2015 ranged from approximately 4.6 times to 53.1 times, with the average of approximately 28.0 times; (ii) the Target Company's business is expected to bring synergy with the Group's existing business after completion of the Acquisition as the Company intend to develop its internet retail business with the Target Company with a view to improving the sale of the Group's products and in turn the profitability and the competitiveness of the Group which are essential for the sustainable development of the Group in the long run, the Directors are of the view that the implied price-to-earning ratio of approximately 19.8 times based on the net profit of the Target Company for the year ended 31 December 2015, is fair and reasonable. Given the major feature of the above selected comparable companies are similar to that of the Target Company, i.e. all of them are primarily engaged in software related application business in Hong Kong and the PRC, we concur with the Company's selection basis of the above comparable companies.

As stated in the Accountants' Report of the Target Company, the Target Company recorded a revenue of approximately HK$1,162,000 for the year ended 31 December 2014, all of which is revenue from sale of goods, i.e. sale of mobile phones installed with Easy Shop. The Target Company recorded a revenue of approximately HK$12,295,000 for the year ended 31 December 2015, of which revenue from sale of goods (i.e. sale of mobile phones installed with Easy Shop) is approximately HK$1,148,000 and provision of software-related application developing service (i.e. sale of Easy Shop together with the provision of maintenance services on Easy Shop) is approximately HK$11,147,000. The Target Company signed four contracts for the provision of software-related application developing service for the year ended 31 December 2015. As stated in the Letter from the Board, the Target Company has stable monthly maintenance income from software maintenance contracts which are renewable annually. The management of the Company advised that it is the sales strategy of the Target Company to sell the application software together with the maintenance services and its target customers are small medium enterprises who can afford the maintenance fees. The Target Company puts emphasis on client relationship with its existing customers and wants to maintain a long-term relationship with its existing customers to obtain the maintenance contract. Given (i) it is the sales strategy of the Target Company to sell the application software together with the maintenance services; (ii) the customers require the maintenance services to modify the software in response to the market needs from time to time as the software is prohibited from any modification without authorisation by the Target Company and to provide training to its staff; (iii) all the four customers of the Target Company in 2015 have renewed the maintenance contract in 2016; and (iv) the Target Company has signed a software maintenance contract with a new customer in May 2016 with a contract sum of HK$3 million for the year 2016 and subject to renewal in January 2017, we concur with the Directors' view that service income is recurring and sustainable as to support the implied price-to-earning of the Target Company at 19.8 times, although there is only less than three years of track record of revenue for the Target Company.

1. *Comparable companies analysis*

In order to assess the fairness and reasonableness of the consideration for the Acquisition, we have attempted to identify comparable software related application (according to the classification of Bloomberg) companies (the "**Comparable Companies**") that (i) are currently listed on the Main Board of the Stock Exchange; and (ii) are primarily engaged in software related application business in Hong Kong and the PRC (i.e. generating more than 50% of their revenue from software related application business). The Comparable Companies have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information. Shareholders should note that the businesses, operations and prospects of the Target Company are not the same as those of the Comparable Companies and as such, the Comparable Companies may only be used to provide a general reference only.

In our assessment, we have considered price-to-earnings ratio ("**P/E**") which are commonly used to assess the financial valuation of a company engaged in software related application business. P/E analysis of the Comparable Companies are shown below.

Company name	**Ticker**	**Market capitalization**(Note 1)	**P/E**(Note 2)
		(HK$ million)	*(times)*
Feiyu Technology International Company Ltd.	1022	2,169.2	29.6
Sinosoft Technology Group Limited	1297	4,851.6	26.1
Century Sage Scientific Holdings Limited	1450	504.2	8.6
Chanjet Information Technology Company Limited – H Shares	1588	2,067.6	N/A(Note 3)
Tian Ge Interactive Holdings Limited	1980	5,790.1	31.5
BAIOO Family Interactive Limited	2100	1,126.8	9.3
Sino-i Technology Limited	250	2,330.0	48.7
Kingdee International Software Group Company Limited	268	8,086.6	59.7
Kingsoft Corporation Limited	3888	18,941.4	39.0
Boyaa Interactive International Limited	434	2,218.8	4.8
Forgame Holdings Limited	484	1,413.5	N/A(Note 3)
Inspur International Limited	596	1,379.4	N/A(Note 3)

Company name	Ticker	Market capitalization(Note 1)	P/E(Note 2)
		(HK$ million)	*(times)*
North Asia Resources Holdings Limited	61	1,877.2	N/A(Note 3)
Ourgame International Holdings Limited	6899	2,267.3	17.0
NetDragon Websoft Inc.	777	13,163.4	N/A(Note 3)
IGG Inc	799	4,662.3	10.4
		Average	25.9
		Maximum	59.7
		Minimum	4.8
The Target Company(Note 4)			19.8

Source: calculated from data from the website of the Stock Exchange

Notes:

1. The market capitalizations of the Comparable Companies are calculated by multiplying the share price and the number of issued shares of the respective companies as at the Latest Practicable Date.

2. P/Es of the Comparable Companies are calculated by dividing their market capitalization by the profits attributable to equity holders of the respective companies according to their latest financial reports.

3. The company incurred loss for the latest financial year.

4. The implied P/E of the Target Company is calculated by dividing the consideration for the Acquisition by the profit of the Target Company for the year ended 31 December 2015.

As illustrated above, the P/Es of the Comparable Companies range from approximately 4.8 times to 59.7 times (the "**Comparable Companies P/E Range**"), with the average of approximately 25.9 times (the "**Average Comparable Companies P/E**").

We note that the implied P/E of the Target Company is 19.8 times, which is lower than the Average Comparable Companies P/E and within the Comparable Companies P/E Range. As such, we are of the view that the consideration for the Acquisition is fair and reasonable in this regard.

2. *Comparable transactions analysis*

In order to assess the fairness and reasonableness of the consideration for the Acquisition, to the best of our endeavours, we have reviewed transactions from 14 April 2015 (being the date of one year before the date of the Acquisition Agreement) to 13 April 2016 (being the date of the Acquisition Agreement) which involved acquisition of equity interests in software application business (according to the classification of Bloomberg) (the "**Comparable Transactions**") by companies listed on the Stock Exchange. The Comparable Transactions have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information. Shareholders should note that the businesses, operations and prospects of the Target Company are not the same as the target companies of the Comparable Transactions and as such, the Comparable Transactions may be used to provide a general reference only.

Similar to the Comparable Companies analysis, in our assessment, we have considered P/E as our benchmark and the analysis of the Comparable Transactions are shown below.

Announcement date	**Target name**	**Listed company**	**Ticker**	**Transaction size**	**P/E** (times)*(Note 1)*
7 May 2015	Shenzhen Cneop Technology Co., Ltd	Forefront Group Limited	885	HK$38.4 million for 38.75% equity interest in the target company	22.9
7 May 2015	Wise Visual Holdings Limited	China Information Technology Development Limited	8178	HK$80.0 million for 25% equity interest in the target company	N/A*(Note 2)*
10 July 2015	Promethean World PLC	NetDragon Websoft Inc.	777	HK$1,012.7 million for 100% equity interest in the target company (maximum)	N/A*(Note 2)*
30 October 2015	Cfu Come Ltd	C Cheng Holdings Limited	1486	HK$20.3 million for 80.5% equity interest in the target company	N/A*(Note 2)*

Announcement date	Target name	Listed company	Ticker	Transaction size	P/E (times)(Note 1)
26 November 2015	Genesis Business Holdings Limited	Credit China Holdings Limited	8207	RMB560 million for 35% equity interest in the target company	17.5
11 December 2015	Four Directions Investment Limited	Finsoft Financial Investment Holdings Limited	8018	HK$20.0 million for 30% equity interest in the target company	18.5
8 January 2016	Wuhan Jiuxin Puhui Financial Information Services Company Limited	Tian Ge Interactive Holdings Limited	1980	RMB20.8 million for 20% equity interest in the target company	N/A(Note 3)
14 January 2016	Charm Team Group Limited	China Mobile Games and Cultural Investment Limited	8081	HK$2 for 49% equity interest in the target company	N/A(Note 2)
28 March 2016	Wanliyun Medical Information Technology Beijing Co., Ltd.	Alibaba Health Information Technology Limited	241	RMB225 million for 25% equity interest in the target company	N/A(Note 2)
				Average	19.6
				Maximum	22.9
				Minimum	17.5
The Target Company(Note 4)					19.8

Source: calculated from data from the website of the Stock Exchange

Notes:

1. The P/Es of the Comparable Transactions are calculated by dividing the consideration by the then profit of the respective company.

2. The target company incurred loss for the then latest financial year.

3. The respective announcement did not mention the financial information of the target company.

4. The implied P/E of the Target Company is calculated by dividing the consideration for the Acquisition by the profit of the Target Company for the year ended 31 December 2015.

As illustrated above, the P/Es of the Comparable Transactions range from approximately 17.5 times to 22.9 times (the "**Comparable Transactions P/E Range**"), with the average of approximately 19.6 times (the "**Average Comparable Transactions P/E**").

We note that the implied P/E of the Target Company is 19.8 times, which is within the Comparable Transactions P/E Range and slightly above the Average Comparable Transactions P/E. As such, we are of the view that the consideration for the Acquisition is fair and reasonable in this regard.

IV. Conclusion

Taking into account that (i) the entering into the Acquisition Agreement is fair and reasonable insofar as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole, despite the entering into the Acquisition Agreement being not in the ordinary and usual course of business of the Group, as mentioned in the paragraph headed "Reasons and benefits for entering into the Acquisition Agreement" above; (ii) the consideration for the Acquisition is fair and reasonable as far as the Company and the Shareholders as a whole are concerned as mentioned in the paragraph headed "Evaluation of the consideration for the Acquisition" above; and (iii) the Acquisition and the Subscription would bring positive impact to the performance and the net assets value of the Group and are beneficial to the Group from the financial point of the view as mentioned in the section headed "Financial effects of the Acquisition and the Subscription" below, we are of the view that, though the entering into of the Acquisition Agreement is not in the ordinary and usual course of business of the Group, the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

THE SUBSCRIPTION

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

I. Background to and reasons for entering into Subscription Agreement and use of proceeds from the Subscription

1. Background information of the Subscriber and Mr. Tse

As stated in the Letter from the Board, the Subscriber is an investment holding company that is beneficially wholly-owned by Mr. Tse. As at the Latest Practicable Date, the Concert Group held 1,100,091,988 Shares, representing approximately 42.81% of all the issued shares of the Company.

Mr. Tse is the executive Director, chairman, and chief executive officer of the Company and possesses more than 20 years' experience in the fashion ornament and jewellery wholesale industry. He also has experience in property investment, mineral exploration and mineral trade and sales.

2. Use of proceeds from the Subscription and reasons and benefits for entering into the Subscription Agreement

As stated in the Letter from the Board, the gross proceeds from the Subscription and the net proceeds (after deducting estimated expenses, including mainly legal and professional fees) from the issue of the Subscription Shares) from the Subscription is estimated to be approximately HK$181 million and approximately HK$178 million, respectively. Based on the estimated net proceeds, the net subscription price would be approximately HK$0.073 per Subscription Share. The Group intends to apply approximately HK$160 million of the net proceeds from the Subscription to finance the cash consideration for the Acquisition and to use approximately HK$18 million of the net proceeds from the Subscription as the general working capital of the Group.

According to the 2016 Annual Report, the cash and cash equivalents of the Group as at 31 March 2016 was approximately HK$10.9 million, the Directors are of the view that Company does not have sufficient cash to satisfy the consideration for the Acquisition.

The Board had considered the availability of the following funding alternatives (apart from the Subscription) for the cash consideration for the Acquisition and to increase the working capital of the Company:

(i) debt financing: the Board does not consider this to be appropriate for the Group since it would increase the gearing level of the Group and the Group would have to incur interest expenses which would impose additional financial burden on the Group's future cash flows;

(ii) equity financing through placement of new Shares to independent investors: the Company encountered difficulties in engaging a placing agent, which the Board believes to be attributable to the relative small market capitalization of the Company and the low trading volume of the Shares under the current market sentiment; and

(iii) a rights issue or an open offer: the Company encountered difficulties in procuring an independent underwriter in Hong Kong in underwriting a rights issue or an open offer of the Company. Moreover, in light of the uncertainty involved, the Subscriber was not willing to act as an underwriter of a right issue or an open offer.

In light of the above, the Board is of the view that equity financing by way of the Subscription is the most appropriate means of raising additional capital to finance the cash consideration for the Acquisition and to increase the working capital as it is:

(i) more practicable and direct under a volatile market and the uncertain global market conditions currently prevailing;

(ii) less costly and no interest expenses will need to be paid;

(iii) less time consuming; and

(iv) in the interest of the Group and the Independent Shareholders as a whole, given it signifies the confidence of the Company's controlling shareholder in the existing and future development potentials of the Group.

The management of the Company advised that a rights issue or an open offer is more time consuming and cumbersome as more documentation to be prepared. The management of the Company further advised that the Subscriber indicated that he has commercial difficulties to be underwriter of right issue or an open offer due to uncertainty of fund commitment of the Subscriber.

Based on the above, the Directors consider that the Subscription represents a straightforward and cost-effective means of financing for the Group.

Taking into account that (i) the additional financial burden incurred by debt financing; (ii) the difficulties in the equity financing through placement of new Shares and conducting a rights issue or an open offer and its deep discount due to the low trading volume of the Shares; and (iii) the benefits of the Subscription as described above, we concur with the Directors that it is in the interest of the Company and the Independent Shareholders to raise fund by the Subscription.

Having taken into account (i) the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole as mentioned in the paragraph headed "Conclusion" in the section headed "The Acquisition" above; and (ii) the Subscription represents a straightforward and cost-effective means of financing the Acquisition as mentioned above, we consider that, despite the entering into of the Subscription Agreement being not in the ordinary and usual course of business of the Group, the entering into the Subscription Agreement is fair and reasonable under the Group's present development.

II. Principal terms of the Subscription Agreement

Date:	13 April 2016 (after trading hours)
Parties:	Walifax Investments Limited (as the Subscriber) The Company (as the Issuer)
The Subscription Shares:	The Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 2,440,000,000 Subscription Shares. As at the Latest Practicable Date, there were 2,569,840,644 Shares in issue and the Subscription Shares represent approximately 94.95% of all the issued shares of the Company as at the Latest Practicable Date and, assuming that there is no change in the share capital of the Company other than the issue of the Subscription Shares since the Latest Practicable Date up to completion of the Subscription, approximately 48.70% of all the issued shares of the Company upon completion of the Subscription as enlarged by the issue of the Subscription Shares.
Subscription Price:	HK$0.074 per Subscription Share

Ranking:	The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with all the other existing Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.
Specific mandate:	The Subscription Shares are to be issued pursuant to a special mandate to be sought from the Independent Shareholders by way of poll at the SGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.
Conditions precedent to the completion of the Subscription:	Completion of the Subscription is conditional upon the fulfillment of the following conditions precedent:

(i) the obtaining of the Whitewash Waiver, and if such approval is subject to any conditions imposed by the SFC, such conditions being reasonably acceptable to the Subscriber (it being acknowledged that any condition requiring the approval of Shareholders other than the Subscriber or its associates (as defined in the Listing Rules) is acceptable to the Subscriber);

(ii) the Acquisition Agreement becoming unconditional in accordance with its terms;

(iii) the approval by the Shareholders who are not required to abstain from voting under the Listing Rules and the Takeovers Code of each of the following at the SGM in accordance with the requirements of the Listing Rules and the Takeovers Code:

(a) the Subscription Agreement and the transaction contemplated thereunder, including the allotment and issue under a specific mandate of the Subscription Shares;

(b) the Whitewash Waiver; and

(c) the Acquisition Agreement and the transactions contemplated thereunder;

(iv) the listing of, and permission to deal in, all the Subscription Shares having been granted by the Stock Exchange (either unconditionally or subject only to allotment and matters ancillary thereto) and if such approval is subject to any conditions imposed by the Stock Exchange, such conditions having been fulfilled;

(v) the Shares remaining listed and traded on the main board of the Stock Exchange at all times from the date of the Subscription Agreement up to the date of completion of the Subscription, save for any temporary suspension in connection with the approval and clearance of the documents relating to the transactions contemplated under the Subscription Agreement and the Acquisition Agreement by the SFC or the Stock Exchange prior to their release of publication;

(vi) no indication being received prior to the completion of the Subscription from the SFC and the Stock Exchange to the effect that the listing of the Shares on the main board of the Stock Exchange shall or may be withdrawn or objected to;

(vii) all the authorizations, approvals, consents, waives, and permits of the relevant authorities of the relevant jurisdictions which are necessary to give effect to the Subscription Agreement and the Subscription as required by all laws or regulations applicable to the Company and the Subscriber having been granted, received and obtained, or where such approval, consent, waiver or permit is given subject to conditions, on such conditions as are acceptable to the Company and the Subscriber (as the case may be) acting reasonably;

(viii) the warranties made, or any of the undertakings given, by the Company under the Subscription Agreement remaining true and correct in all material respects; and

(ix) there not having occurred at any time any material adverse change or development in the financial or trading position of the Group.

None of the above conditions precedent can be waived by the parties to the Subscription Agreement, save that the Subscriber may, in its absolute discretion, waive the conditions precedent in paragraphs (viii) and (ix) above by notice in writing to the Company.

If all of the conditions precedent set out in the Subscription Agreement have not been fulfilled and/or waived (as the case may be) on or before the Long Stop Date or such other date as may be agreed by the Subscriber and the Company in writing, the Subscription Agreement will automatically terminate with immediate effect (other than the provisions in relation to, among others, notice, governing law and confidentiality, which shall survive), in which case, neither party thereto will have any liability to the other party save for any antecedent breaches of the Subscription Agreement.

None of the above conditions precedent has been fulfilled as at the Latest Practicable Date.

Completion of the Subscription: Completion of the Subscription will, subject to the Whitewash Waiver and the listing permission contemplated in the condition precedent set out in paragraph (iv) above not being revoked or withdrawn, take place on the second Business Day after the fulfillment or waiver of the conditions precedent to the completion of the Subscription (or such later date as parties to the Subscription Agreement may agree in writing).

III. Evaluation of the Subscription Price

1. Historical price analysis

As stated in the Letter from the Board, the Subscription Price was determined after arm's length negotiation between the Company and the Subscriber with reference to, among other factors, the financial position of the Group, the historical trading volume of the Shares on the Stock Exchange and the recent trading prices of the Shares as quoted on the Stock Exchange. The issue price per Subscription Share of HK$0.074 represents:

(i) a discount of approximately 24.5% to the closing price of HK$0.0980 per Share as quoted on the Stock Exchange on the Last Trading Date;

(ii) a discount of approximately 26.7% to the closing price of HK$0.101 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;

(iii) a discount of approximately 47.1% to the closing price of HK$0.140 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(iv) a discount of approximately 22.4% to the average closing price of HK$0.0954 per Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;

(v) a discount of approximately 22.5% to the average closing price of HK$0.0955 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;

(vi) a discount of approximately 26.9% to the average closing price of HK$0.1013 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day; and

(vii) a premium of approximately 231.8% over and above the Group's audited consolidated net asset value attributable to the Shareholders per Share as at 31 March 2016, the date to which the latest audited consolidated financial results of the Company were made up to, of approximately HK$0.0223 (based on a total of 2,569,840,644 Shares as at Latest Practical Date and the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK$57,319,000 as at 31 March 2016).

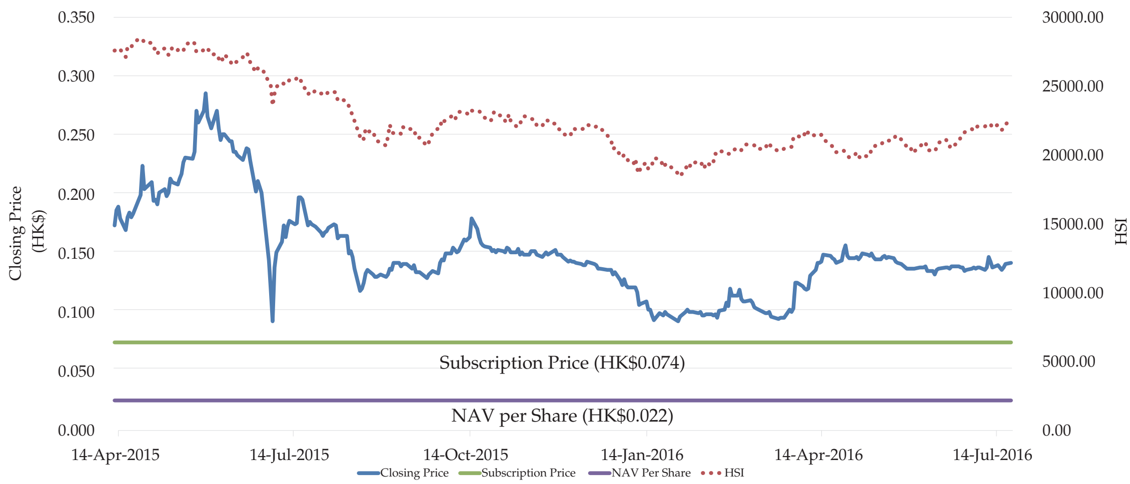
The Directors believe the discount to the closing price on the date of the Subscription Agreement of approximately 26.7% as represented by the Subscription Price is reasonable in view of the following reasons:

(i) the Subscription Price represents a premium of approximately 231.8% over and above the Group's audited consolidated net asset value attributable to the Shareholders per Share as at 31 March 2016 of approximately HK$0.0223; and

(ii) the average daily trading volume of the Shares for the last 30 trading days up to and including the Last Trading Day were approximately 23,700,000 Shares, representing a percentage of the average total number of Shares held by the public Shareholders of approximately 1.429%. Given the low trading volume of the Shares, it is difficult for the Company to conduct a sizeable equity fund raising activities with independent investors due to the lack of interest of them.

To assess the fairness and reasonableness of the Subscription Price, we set out the following analyses which include reviews on both the historical price and trading liquidity of the Shares.

The chart below illustrates the daily closing prices of the Shares and Hang Seng Index (the "**HSI**") during the period from 14 May 2015 (being one year before the date of the Subscription Agreement) up to and including the Latest Practicable Date (the "**Review Period**"):



Source: Bloomberg

During the Review Period, the daily closing price of the Shares ranged from HK$0.09 per Share to HK$0.285 per Share. The Subscription Price falls below the above prices but represents a premium over the Group's audited consolidated net asset value attributable to the Shareholders per Share as at 31 March 2016. If short term fluctuation is excluded, we note that the daily closing price of the Shares has been on a declining trend during the Review Period.

For the purpose of assessing the trading liquidity of the Shares, we set out below the total monthly trading volume, the average daily trading volume per month and the respective percentage of average daily trading volume to total number of Shares in issue as at the Latest Practicable Date and total number of Shares held by public shareholders as at the Latest Practicable Date during the Review Period.

Month	Total monthly trading volume	Average daily trading volume (Note 1)	Percentage of average daily trading volume to total number of Shares in issue (Note 2)	Percentage of average daily trading volume to total number of Shares held by public shareholders (Note 3)
	(Number of Shares)	*(Number of Shares)*	*(%)*	*(%)*
2015				
April (14 April 2015 to 30 April 2015)	2,161,088,184	166,237,553	6.469%	11.311%
May	1,357,476,857	71,446,150	2.780%	4.861%
June	793,852,968	36,084,226	1.404%	2.455%
July	537,127,962	24,414,907	0.950%	1.661%
August	104,776,470	5,238,824	0.204%	0.356%
September	352,509,937	17,625,497	0.686%	1.199%
October	638,102,500	31,905,125	1.242%	2.171%
November	421,005,500	20,047,881	0.780%	1.364%
December	402,761,044	18,307,320	0.712%	1.246%
2016				
January	337,491,500	16,874,575	0.657%	1.148%
February	243,826,000	13,545,889	0.527%	0.922%
March	489,140,762	22,233,671	0.865%	1.513%
April	798,122,210	39,906,111	1.553%	2.715%
May	405,886,000	19,327,905	0.752%	1.315%
June	217,012,500	10,333,929	0.402%	0.703%
July	373,727,000	17,796,524	0.693%	1.211%
August (Up to the Latest Practicable Date)	164,563,000	32,912,600	1.281%	2.239%

Source: *Bloomberg*

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume of the Shares for the month by the number of trading days during the month.

2. Based on 2,569,840,644 Shares in issue as at the Latest Practicable Date.

3. Based on 1,469,748,656 Shares held by the public Shareholders as at the Latest Practicable Date.

During the Review Period, the average daily trading volume of the Shares as a percentage of the total number of Shares in issue as at the Latest Practicable Date ranged from approximately 0.204% to 6.469% while the average daily trading volume of the Shares as a percentage of the total number of Shares held by the public Shareholders as at the Latest Practicable Date ranged from approximately 0.356% to 11.311%.

During the Review Period, the average daily trading volume of the Shares was generally below 2.00% of total number of Shares in issue as at the Latest Practicable Date except for the period from April 2015 to May 2015 during which the overall stock market was booming as evidenced by the continuous growth of the closing price of the Shares as well as the HSI, as illustrated in Chart above. We also note that the trading volume of the Shares raised to 234,506,460 Shares on 14 April 2016, the date after the Announcement. Apart from the trading volume from April 2015 to May 2015 and on 14 April 2016, the Shares were generally illiquid in the open market.

Based on the above average daily trading volume of Shares as a percentage of the total number of Shares in issue as at the Latest Practicable Date as well as average daily trading volume of Shares as a percentage of the total number of Shares held by the public Shareholders as at the Latest Practicable Date, we are of the view that the trading of the Shares was relatively thin and inactive during the Review Period.

2. Comparable Issues Analysis

In order to further assess the fairness and reasonableness of the Subscription Price, we have identified 27 transactions (the "**Comparable Issues**") in relation to subscriptions/placing involving issue of new ordinary shares by companies listed on the Stock Exchange (excluding delisting company) which would trigger mandatory general offer but applied for whitewash waiver and announced during the Review Period. Shareholders should noted that the subject companies in the Comparable Issues may have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company. The circumstances surrounding such subscriptions/placing may also be different from those relating to the Company. We have compared the respective issue price of the Comparable Issues with the Subscription, details of which are set out in the table below:

Date of announcement	Company name	Stock Code	(Discount)/ premium of the issue price (to)/over the closing price per share on the last trading day prior to/on the date of the announcement/ agreement (%)	(Discount)/ premium of the issue price (to)/over the closing price per share on the last five trading days prior to/on the date of the announcement/ agreement (%)	(Discount)/ premium of the issue price (to)/over the closing price per share on the last ten trading days prior to/on the date of the announcement/ agreement (%)
15 April 2015	Shougang Concord Grand (Group) Limited	730	(7.9)	(6.2)	(3.1)
13 May 2015	21 Holdings Limited	1003	(79.2)	(70.4)	(68.0)
20 May 2015	China City Railway Transportation Technology Holdings Company Limited	1522	(15.4)	(11.8)	(2.9)
27 May 2015	China Jinhai International Group Limited	139	(74.0)	(67.4)	(64.7)
29 May 2015	Reorient Group Limited	376	(77.8)	(73.7)	(71.1)
4 June 2015	World Wide Touch Technology (Holdings) Limited	1282	(41.0)	(36.8)	(32.3)
16 July 2015	A8 New Media Group Limited	800	(12.3)	6.5	(14.1)
31 July 2015	Mascotte Holdings Limited	136	(97.9)	(97.6)	(97.5)
5 August 2015	Shanghai Tonva Petrochemical Co., Ltd.	1103	(4.8)	(15.8)	(13.0)

Date of announcement	Company name	Stock Code	(Discount)/ premium of the issue price (to)/over the closing price per share on the last trading day prior to/on the date of the announcement/ agreement *(%)*	(Discount)/ premium of the issue price (to)/over the closing price per share on the last five trading days prior to/on the date of the announcement/ agreement *(%)*	(Discount)/ premium of the issue price (to)/over the closing price per share on the last ten trading days prior to/on the date of the announcement/ agreement *(%)*
10 August 2015	Beijing Capital Land Limited	2868	2.4	6.1	4.1
27 August 2015	China Seven Star Holdings Limited	245	(89.9)	(87.7)	(86.6)
30 August 2015	Global Bio-chem Technology Group Company Limited	809	(31.1)	(25.1)	(29.9)
12 October 2015	SRE Group Limited	1207	(74.4)	(73.3)	(73.5)
4 December 2015	Yuhua Energy Holdings Limited	2728	0.0	(2.2)	(2.4)
10 December 2015	China Jiuhao Health Industry Corporation Limited *(Note)*	419	(86.2)	(87.7)	(87.9)
14 December 2015	Optics Valley Union Holding Company Limited	798	(15.8)	(13.0)	(14.9)
16 December 2015	FDG Electric Vehicles Limited	729	0.0	(3.9)	(5.1)
5 January 2016	Addchance Holdings Limited	3344	(60.8)	(66.9)	(61.4)
16 February 2016	Varitronix International Limited	710	(33.7)	(34.5)	(33.4)
19 February 2016	Sino Credit Holdings Limited	628	(55.5)	(56.5)	(54.5)
25 February 2016	Jiangxi Copper Company Limited	358	(2.0)	(6.2)	(3.4)

Date of announcement	Company name	Stock Code	(Discount)/ premium of the issue price (to)/over the closing price per share on the last trading day prior to/on the date of the announcement/ agreement	(Discount)/ premium of the issue price (to)/over the closing price per share on the last five trading days prior to/on the date of the announcement/ agreement	(Discount)/ premium of the issue price (to)/over the closing price per share on the last ten trading days prior to/on the date of the announcement/ agreement
			(%)	*(%)*	*(%)*
29 February 2016	Hang Fat Ginseng Holdings Company Limited	911	(85.1)	(84.3)	(92.3)
7 March 2016	Nickel Resources International Holdings Company Limited	2889	(23.1)	(15.1)	(15.1)
27 April 2016	Hin Sang Group (International) Holding Co. Ltd.	6893	(33.33)	(22.37)	(23.0)
17 May 2016	New Times Energy Corporation Limited	166	(3.14)	(1.3)	(3.8)
25 May 2016	O Luxe Holdings Limited	860	0.0	(1.6)	(8.0)
13 July 2016	Sino Golf Holdings Limited	361	(63.2)	(59.9)	(54.0)
	Average		(39.5)	(37.4)	(37.5)
	Minimum		(97.9)	(97.6)	(97.5)
	Maximum		8.0	6.5	4.1
	The Subscription	789	(26.7)	(22.4)	(22.5)

Source: from relevant announcements/circulars or calculated form data on the website of the Stock Exchange

Note: A distribution, comprised a distribution of cash and shares, of the company was completed on 6 October 2015. The respectively closing price represented the theoretical ex-entitlement closing price (after excluding the pro forma value of distribution per share).

As set out in the table above, the issue price of the Comparable Issues (i) as compared to their respective closing price on the last trading day prior to/on the date of the announcement/agreement ranges from a discount of approximately 97.9% to a premium of approximately 8.0%, with an average of a discount of approximately 39.5%; (ii) as compared to the average closing price for the last five trading days prior to/on the date of the announcement/agreement ranges from a discount of approximately 97.6% to a premium of approximately 6.5%, with an average of a discount of approximately 37.4%; (iii) as compared to the average closing price for the last ten trading days prior to/on the date of the announcement/agreement ranges from a discount of approximately 97.5% to a premium of approximately 4.1%, with an average of a discount of approximately 37.5%. The discount represented by the Subscription Price to the closing price/average closing price of the Shares on each of (i) the Last Trading Day; (ii) the last five trading days up to and including the Last Trading Day; and (iii) the last 10 trading days up to and including the Last Trading Day is lower (i.e. more favourable to the Company) than the average discount and within the range of discounts of the Comparable Issues.

Although the Subscription Price represents a discount to the closing prices of the Shares, having taken into account (i) the Subscription Price represents a premium over the audited consolidated net asset value per Share as at 31 March 2016; (ii) the price of the Shares was in a declining trend during the Review Period; (iii) the low liquidity in the trading of the Shares during the Review Period, which may imply that it would be difficult for the Company to further raise funds due to the lack of interest from potential investors; and (iv) the discounts of the Subscription Price over the closing prices of the Shares are lower (i.e. more favourable to the Company) than all the discounts of the Comparable Issues, we are of the view that the Subscription Price is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

IV. Effects on the shareholding of existing Shareholders

The following table sets out the shareholdings in the Company as at the Latest Practicable Date and immediately after the completion of the Subscription (assuming there are no changes to the share capital and shareholding structure of the Company other than the issue of the Subscription Shares from the Latest Practicable Date to the date of completion of the Subscription):

	As at the Latest Practicable Date		Immediately after completion of the Subscription (assuming no Outstanding Options are exercised)(Note 4)		Immediately after completion of the Subscription (assuming all Outstanding Option are exercised)(Note 4)	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Controlling Shareholder						
The Subscriber(Note 1)	1,085,267,988	42.23	3,525,267,988	70.37	3,525,267,988	65.43
Mr. Tse(Note 2)	14,824,000	0.58	14,824,000	0.29	41,495,400	0.77
Sub-total of the Subscriber and persons acting concert with it	1,100,091,988	42.81	3,540,091,988	70.66	3,566,763,388	66.20
Executive Director(s)						
Mr. Lin Shao Hua	–	–	–	–	26,671,400	0.50
Public						
Grantees of Outstanding Options (other than Mr. Tse and the Directors)(Note 3)	–	–	–	–	324,699,800	6.03
Other Public Shareholders	1,469,748,656	57.19	1,469,748,656	29.34	1,469,748,656	27.27
	2,569,840,644	100.0	5,009,840,644	100.0	5,387,883,244	100.0

Notes:

1. The Subscriber is beneficially wholly-owned by Mr. Tse.

2. Mr. Tse is the executive Director, chairman and chief executive officer of the Company.

3. None of these grantee of the Outstanding Options is a director, chief executive or substantial shareholder of the Company, or any of their respective associates or parties acting in concert with the Subscriber.

4. Full exercise of the Outstanding Option would result in a maximum of 378,042,600 new Shares being fallen to be allotted and issued to its holders.

As illustrated above, the shareholding of the existing public Shareholders would be reduced from approximately 57.19% as at the Latest Practicable Date to approximately 29.34% upon completion of the Subscription assuming no Outstanding Options are exercised and approximately 33.30% immediately upon completion of the Subscription and the exercise in full of the outstanding Options.

There will be substantial dilution to the shareholding interest of the existing public Shareholders as a result of the Subscription. However, having taken into account (i) the benefits to be derived by the Group from the Subscription as set out in the paragraph headed "Use of proceeds from the Subscription and reasons and benefits for entering into the Subscription Agreement" above; (ii) that the Subscription Price is considered to be fair and reasonable as set out in the paragraph headed "Evaluation of the Subscription Price" above; and (iii) the difficulties in conducting a rights issue or an open offer, which can maintain pro-rata shareholding of the public Shareholders, as mentioned in the paragraph headed "Use of proceeds from the Subscription and reasons and benefits for entering into the Subscription Agreement" above, we consider that the dilution effect to the shareholding interest of the existing public Shareholders as a result of the Subscription is acceptable.

V. The Whitewash Waiver

Upon completion of the Subscription, 2,440,000,000 Subscription Shares will be issued to the Subscriber, and the interests of the Concert Group in the voting rights of the Company will be increased from approximately 42.81% to approximately 70.66% (assuming that no additional Shares other than the Subscription Shares will be issued since the date of the Subscription Agreement up to completion of the Subscription). Accordingly, the Concert Group, in the absence of the Whitewash Waiver, would be obliged to make a general offer under Rule 26 of the Takeovers Code for all the securities of the Company not already owned or agreed to be acquired by them.

An application to the Executive for the Whitewash Waiver has been made by the Subscriber. The Executive has agreed, subject to the approval of the Independent Shareholders at the SGM by way of poll and such other condition(s) as may be imposed by the Executive, to grant the Whitewash Waiver.

Each of the Subscriber and Mr. Tse has undertaken to the Company that apart from the Subscription Agreement, the Subscriber and Mr. Tse will not and each of them will procure persons acting in concert with each of them respectively will not from the date of the Subscription Agreement until the date of completion of the Subscription acquire or dispose of or enter into any agreement or arrangement to acquire or dispose of any voting rights in the Company.

Shareholders and potential investors should be aware that, upon completion of the Subscription, the Concert Group will hold more than 50% of the voting rights of the Company. Hence, the Subscriber may increase its holdings of voting rights of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

The Subscription is conditional on, among other things, the approval of the Whitewash Waiver by the Independent Shareholders at the SGM. If the Whitewash Waiver is not approved, the Subscription will not proceed. The Acquisition will also not proceed as the Acquisition and the Subscription are inter-conditional.

Having considered (i) the Subscription is a reasonable financing alternative available to the Group; (ii) the Subscription would provide funds to settle the consideration of the Acquisition and the Acquisition is fair and reasonable as mentioned in the section headed "The Acquisition" above; (iii) the dilution effect as a result of the Subscription being acceptable as mention in the paragraph headed "Effects on the shareholding of existing Shareholders" above; and (iv) the Acquisition and the Subscription would bring positive impact to the performance and the net assets value of the Group and are beneficial to the Group from the financial point of the view as mentioned in the section headed "Financial effects of the Acquisition and the Subscription" below, we are of the view that the granting of the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VI. Conclusion

Taking into account that (i) the entering into the Subscription Agreement is fair and reasonable, despite the entering into the Subscription Agreement being not in the ordinary and usual course of business of the Group, as mentioned in the paragraph headed "Use of proceeds from the Subscription and reasons and benefits for entering into the Subscription Agreement" above; (ii) the Subscription Price is fair and reasonable as far as the Company and the Independent Shareholders are concerned as mentioned in the paragraph headed "Evaluation of the Subscription Price" above; (iii) the dilution effect to the shareholding interest of the existing public Shareholders as a result of the Subscription being acceptable as mention in the paragraph headed "Effects on the shareholding of existing Shareholders" above; (iv) the granting of the Whitewash Waiver is fair and reasonable and in the interests of the Company and the Shareholders as a whole as mentioned in the paragraph headed "The Whitewash Waiver" above; and (v) the Acquisition and the Subscription would bring positive impact to the performance and the net assets value of the Group and are beneficial to the Group from the financial point of the view as mentioned in the section headed "Financial effects of the Acquisition and the Subscription" below, we are of the view that, though the entering into the Subscription Agreement is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement are on normal commercial terms, in the ordinary and usual course of business of the Company, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders and the Whitewash Waiver is fair and reasonable and in the interests of the Independent Shareholders.

FINANCIAL EFFECTS OF THE ACQUISITION AND THE SUBSCRIPTION

(i) Effect on net profit

As stated in the Letter from the Board, upon completion of the Acquisition, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Company will be consolidated into the consolidated financial statements of the Group. As set out in the accountants' report on the Target Company in Appendix II to the Circular, the revenue reached approximately HK$12.3 million and HK$2.3 million for the year ended 31 December 2015 and for the three months ended 31 March 2016 respectively, and profit after taxation reached approximately HK$8.1 million and HK$0.9 million for the year ended 31 December 2015 and for the three months ended 31 March 2016 respectively. After completion of the Acquisition, the revenue and profit after taxation of the Target Company will be consolidated in the consolidated financial statements of the Group. As such, we consider that the Acquisition will have a positive impact on the net profit of the Group. The management of the Company advised that the Subscription will not have any effect on the net profit of the Group.

(ii) Effect on net assets value

As stated in the 2016 Annual Report, the audited consolidated net assets of the Group as at 31 March 2016 was approximately HK$57.3 million comprising total assets of HK$106.7 million and total liabilities of approximately HK$49.4 million. According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular, the unaudited pro forma net assets of the Enlarged Group would increase to approximately HK$230.3 million, comprising unaudited pro forma total assets of approximately HK$283.6 million and unaudited pro forma total liabilities of approximately HK$53.3 million. The net asset value per Share would increase from approximately HK$0.0223 as at 31 March 2016 to approximately HK$0.0460 immediately upon completion of the Acquisition and the Subscription (calculated by dividing the unaudited pro forma net assets of the Enlarged Group of approximately HK$230.3 million by the number of Shares in issue immediately after completion of the Acquisition and the Subscription (assuming no Outstanding Options are exercised) of 5,009,840,644 Shares). As such, we consider that the Acquisition and the Subscription will have a positive impact on the net assets value of the Group.

As the Acquisition and the Subscription would bring positive impact to the performance and the net assets value of the Group, we are of the view that the Acquisition and the Subscription are beneficial to the Group from the financial point of the view.

Shareholders should note that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Enlarged Group will be upon the completion of the Acquisition and the Subscription.

RECOMMENDATION

Having taken into account the above principal factors and reasons stated in the paragraphs headed "Conclusion" in the sections headed "The Acquisition" and "The Subscription" above respectively, we consider that, though the entering into the Acquisition Agreement and the Subscription Agreement are not in the ordinary and usual course of business of the Group, (i) the terms of the Acquisition Agreement and the Subscription Agreement are on normal commercial terms, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Independent Shareholders; and (ii) the Whitewash Waiver is fair and reasonable and in the interests of the Independent Shareholders.

Accordingly, we advise the Independent Board Committee to advise the Independent Shareholders to vote in favour, and we also recommend that Independent Shareholders vote in favour, of the ordinary resolution as set out in "Notice of SGM" to the Circular, which to be proposed at the SGM in this regard.

Yours faithfully,
For and on behalf of
TC Capital International Limited
Edward Wu
Chairman

Note: *Mr. Edward Wu has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2005. Mr. Wu has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.*

*The English translation of the Chinese name(s) in this letter, where indicated with * is included for information purpose only and should not be regarded as the official English name(s) of such Chinese names.*

1. SUMMARY OF THE FINANCIAL INFORMATION

The following summary of financial information for each of the three financials years ended 31 March 2014, 2015 and 2016 as extracted from the annual report of the Company for the year ended 31 March 2014, 2015 and 2016, all of which have been published on the website of the Stock Exchange as specifically set out below:

Annual report:

Financial year ended	Page numbers of financial information	Website
31 March 2014	Pages 47 – 112	http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0730/LTN20140730333.pdf
31 March 2015	Pages 43 – 108	http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0729/LTN20150729139.pdf
31 March 2016	Pages 37 – 102	http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0727/LTN20160727249.pdf

The above annual reports are also available at the website of the Company at http://www.artini-china.com/hk/investor.php.

Asian Alliance, the auditor of the Company for the financial year ended 31 March 2014, 2015 and 2016, did not issue any qualified opinion on the financial statements of the Group for each of the three financial years ended 31 March 2014, 2015 and 2016. The Group had no items which are exceptional or extraordinary because of size, nature, or incidence for each of the three financial years ended 31 March 2014, 2015 and 2016.

	For the year ended 31 March		
	2016	**2015**	**2014**
	(audited)	**(audited)**	**(audited)**
	HK$'000	*HK$'000*	*HK$'000*
			(Restated)
Turnover	46,907	77,707	173,236
Cost of sales	(45,335)	(96,395)	(155,021)
Gross profit (loss)	1,572	(18,688)	18,215
Other income	315	486	1,262
Other gains and losses	(6,992)	(15,116)	(15,010)
Gains (losses) on disposals of property, plant and equipment	70	42,897	(279)
Losses on disposals of investment properties	(3,613)	–	–
Net gains on disposals of subsidiaries	17	39,312	474
Selling and distribution expenses	(47,918)	(97,796)	(30,589)
Administrative expenses	(43,460)	(39,919)	(78,305)
Finance costs	(10)	(2,148)	(1,346)
Loss before tax	(100,019)	(90,972)	(105,578)
Income tax expense	(11)	(18)	(2,742)
Loss for the year	(100,030)	(90,990)	(108,320)
Attributable to:			
– Owners of the Company	(100,030)	(90,990)	(108,299)
– Non-controlling interests	–	–	(21)
Loss for the year	(100,030)	(90,990)	(108,320)
Loss per share			
– Basic (HK$)	(0.040)	(0.080)	(0.175)
– Diluted (HK$)	N/A	N/A	N/A
Dividend	nil	nil	nil

	As at		
	31 March 2016 (audited)	**31 March 2015 (audited)**	**31 March 2014 (audited)**
	HK$'000	*HK$'000*	*HK$'000*
Assets and liabilities			
Non-current assets	55,927	10,571	51,161
Current assets	50,789	145,491	74,937
Total assets	106,716	156,062	126,098
Current liabilities	(49,006)	(25,953)	(66,547)
Total assets less current liabilities	57,710	130,109	59,551
Non-current liabilities	(391)	–	(148)
Net assets	57,319	130,109	59,403
Share Capital	25,698	24,746	123,732
Reserves	31,621	105,363	(64,329)
Total equity	57,319	130,109	59,403

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

The following is the full text of audited consolidated financial statements of the Group for the year ended 31 March 2016 as extracted from the annual report of the Company for the year ended 31 March 2016:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2016

		2016	2015
	Notes	*HK$'000*	*HK$'000*
Revenue	*7*	46,907	77,707
Cost of sales		(45,335)	(96,395)
Gross profit (loss)		1,572	(18,688)
Other income	*8*	315	486
Other gains and losses	*9*	(6,992)	(15,116)
Gains on disposals of property, plant and equipment		70	42,897
Losses on disposals of investment properties		(3,613)	–
Net gains on disposals of subsidiaries	*30*	17	39,312
Selling and distribution expenses		(47,918)	(97,796)
Administrative expenses		(43,460)	(39,919)
Finance costs	*10*	(10)	(2,148)
Loss before tax	*11*	(100,019)	(90,972)
Income tax expense	*14*	(11)	(18)
Loss for the year		(100,030)	(90,990)
Loss per share	*15*		
– Basic (HK$)		(0.040)	(0.080)
– Diluted (HK$)		N/A	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	**2016** *HK$'000*	**2015** *HK$'000*
Loss for the year		(100,030)	(90,990)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		1,156	123
Release of translation reserve upon disposals of subsidiaries	*30*	(37)	(21,474)
Other comprehensive income (expense) for the year, net of income tax		1,119	(21,351)
Total comprehensive expense for the year		(98,911)	(112,341)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	885	1,607
Investment properties	17	–	8,901
Intangible assets	18	–	–
Deferred tax assets	19	–	63
Deposits paid	20	55,042	–
		55,927	10,571
CURRENT ASSETS			
Inventories	21	428	3,515
Trade and other receivables	22	39,503	19,154
Cash and bank balances	23	10,858	122,822
		50,789	145,491
CURRENT LIABILITIES			
Trade and other payables	24	48,745	25,794
Tax liabilities		101	159
Obligations under finance lease – current portion	25	160	–
		49,006	25,953
NET CURRENT ASSETS		1,783	119,538
TOTAL ASSETS LESS CURRENT LIABILITIES		57,710	130,109
NON-CURRENT LIABILITY			
Obligations under finance lease – non-current portion	25	391	–
NET ASSETS		57,319	130,109
CAPITAL AND RESERVES			
Share capital	26	25,698	24,746
Reserves		31,621	105,363
TOTAL EQUITY		57,319	130,109

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Share capital *HK$'000*	Share premium *HK$'000*	Other reserves *HK$'000* *(note (A))*	Translation reserve *HK$'000*	PRC statutory reserves *HK$'000* *(note (B))*	Share-based payment capital reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
As at 1 April 2014	123,732	549,974	(19,518)	38,730	21,755	14,718	(669,988)	59,403
Loss for the year	–	–	–	–	–	–	(90,990)	(90,990)
Other comprehensive expense for the year, net of income tax	–	–	–	(21,351)	–	–	–	(21,351)
Total comprehensive expense for the year	–	–	–	(21,351)	–	–	(90,990)	(112,341)
Disposals of subsidiaries	–	–	–	–	(13,114)	–	13,114	–
Capital Reduction *(as defined in Note 26(a))*	(117,545)	–	–	–	–	–	117,545	–
Issue of shares in respect of Open Offer *(as defined in Note 26(b))*	18,559	167,039	–	–	–	–	–	185,598
Transaction costs attributable to the issue of shares *(Note 26(b))*	–	(2,551)	–	–	–	–	–	(2,551)
Lapsed of share options *(Note 28)*	–	–	–	–	–	(1,146)	1,146	–
As at 31 March 2015	24,746	714,462	(19,518)	17,379	8,641	13,572	(629,173)	130,109
Loss for the year	–	–	–	–	–	–	(100,030)	(100,030)
Other comprehensive income for the year, net of income tax	–	–	–	1,119	–	–	–	1,119
Total comprehensive income (expense) for the year	–	–	–	1,119	–	–	(100,030)	(98,911)
Issue of shares in respect of Placing *(as defined in Note 26(c))*	952	9,044	–	–	–	–	–	9,996
Transaction costs attributable to the issue of shares *(Note 26(c))*	–	(440)	–	–	–	–	–	(440)
Recognition of share options *(Note 28)*	–	–	–	–	–	16,565	–	16,565
As at 31 March 2016	25,698	723,066	(19,518)	18,498	8,641	30,137	(729,203)	57,319

Notes:

A. OTHER RESERVES

The other reserves comprise of the following:

i. Restructuring reserve

The restructuring reserve of debit balance of approximately HK$19,615,000 (2015: HK$19,615,000) represents the difference between the nominal value of the share capital issued by the Company and the nominal value of the share capital of the subsidiaries comprising of the Group prior to the reorganisation of the Group in 2008.

ii. Legal reserve

Pursuant to the Macao Commercial Code, the Company's subsidiary incorporated in Macao is required to appropriate 25% of net profit to legal reserve until the balance of the reserve reaches 50% of the subsidiary's registered capital. At the end of reporting period, legal reserve of approximately HK$97,000 (2015: HK$97,000) is not distributable to equity holders of the Company.

B. PRC STATUTORY RESERVES

The amounts represent the transfers from retained earnings to PRC statutory reserves which are made in accordance with the relevant rules and regulations in the People's Republic of China (the "**PRC**") and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors which comprise of:

i. General reserve fund

Subsidiaries in the PRC are required to transfer 10% of the net profits, as determined in accordance with the PRC accounting rules and regulations, to general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this fund must be made before distribution of dividends to equity holders.

General reserve fund can be used to make good previous years' losses, if any, and may be converted into paid-up capital provided that the balance of the general reserve fund after such conversion is not less than 25% of the subsidiary's registered capital.

ii. Enterprise expansion fund

Subsidiaries in the PRC are required to transfer a certain percentage of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the enterprise expansion fund. The percentage of appropriation is decided by the directors of the subsidiaries.

Enterprise expansion fund can be used for the subsidiaries' business development purposes and for working capital purposes. This fund can also be used to increase capital of the relevant subsidiaries, if approved. This fund is non-distributable other than upon liquidation. Transfers to this fund must be made before distribution of dividends to the equity holders.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	2016	2015
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before tax	(100,019)	(90,972)
Adjustments for:		
Depreciation of property, plant and equipment	1,100	3,820
Depreciation of investment properties	118	293
Amortisation of prepaid lease payments	–	401
Finance costs recognised in profit or loss	10	2,148
Interest income recognised in profit or loss	(13)	(25)
Net losses on disposals of investment properties	3,613	–
Net gains on disposals of subsidiaries	(17)	(39,312)
Gains on disposals of property, plant and equipment	(70)	(42,897)
Written-off of property, plant and equipment	105	5,496
Impairment losses recognised in respect of other receivables	3,089	3,475
Impairment losses recognised in respect of inventories	2,709	3,598
(Reversal of impairment losses) impairment losses recognised in respect of trade receivables, net	(458)	7,427
Waiver of other payables	–	(1,305)
Share-based payment expenses	16,565	–
Operating cash flows before movements in working capital	(73,268)	(147,853)
(Increase) decrease in inventories	(428)	2,918
(Increase) decrease in trade and other receivables	(22,797)	17,299
Increase in trade and other payables	23,826	16,293
Cash used in operations	(72,667)	(111,343)
Income taxes paid	(6)	(198)
Interest paid	–	(2,148)
NET CASH USED IN OPERATING ACTIVITIES	(72,673)	(113,689)

	2016	2015
	HK$'000	*HK$'000*
INVESTING ACTIVITIES		
Deposit paid for acquisition of trademarks	(31,000)	–
Deposit paid for acquisition of properties	(24,042)	–
Purchase of property, plant and equipment	(28)	(2,079)
Net proceeds on disposals of investment properties	4,827	–
Net proceeds on disposals of property, plant and equipment	70	56,470
Interest received	13	25
Net cash (outflow) inflow on disposals of subsidiaries *(Note 30)*	(97)	13,940
Decrease in pledged bank deposits	–	999
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(50,257)	69,355
FINANCING ACTIVITIES		
Proceeds from issue of shares	9,996	185,598
Transaction costs attributable to the issue of shares	(440)	(2,551)
Repayments of obligations under finance lease	(129)	–
Interest paid on obligations under finance lease	(10)	–
Repayments of borrowings	–	(26,350)
NET CASH FROM FINANCING ACTIVITIES	9,417	156,697
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(113,513)	112,363
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	122,822	10,718
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,549	(259)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR represented by cash and bank balances	10,858	122,822

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

1. GENERAL INFORMATION

Artini China Co. Ltd. (the "**Company**") was incorporated in Bermuda on 30 May 2007 as an exempted company with limited liability under the Bermuda Companies Act 1981 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The addresses of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" in the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

The Company acts as an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the design, retailing and distribution and concurrent design manufacturing ("**CDM**") of fashion accessories.

The principal activities of its subsidiaries are set out in Note 36 to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Application of new and revised HKFRSs

The Group has applied the following amendments to Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("**HKAS**") (collectively referred to as "**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements Project	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Annual Improvements Project	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[2]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Annual Improvements Project	Annual Improvements to HKFRSs 2012 – 2014 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
4 Effective date to be determined and early application is permitted.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("**FVTOCI**") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. Specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company ("**Directors**") anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the financial effect on the Group's financial statements until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Directors will assess the impact of the application of HKFRS 16. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of HKFRS 16 until the Group performs a detailed review.

Amendments to HKAS 1 Disclosure Initiative

The amendments to HKAS 1 *Presentation of Financial Statements* give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The Directors anticipate that the application of these amendments to HKAS 1 will not have a material impact on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 *Property, Plant and Equipment* prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 *Intangible Assets* introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation for its plant and equipment. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors anticipate that the application of these amendments to HKAS 16 and HKAS 38 will not have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost
- In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*.

The Directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012 – 2014 Cycle

The *Annual Improvements to HKFRSs 2012 – 2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The Directors do not anticipate that the application of these amendments will have a material effect on the amounts recognised in the Group's consolidated financial statements.

Except for the above impact, the Directors do not anticipate that the application of the other new and revised HKFRSs will have significant impact on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance (the "**CO**").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Investment in subsidiaries

Investment in subsidiaries is included in the Company's statement of financial position at cost less accumulated impairments, if any. The results of subsidiary are accounted for by the Company on the basis of dividend received or receivable.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using rate of exchange prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including state-managed retirement benefits schemes and the Mandatory Provident Fund Scheme (the "**MPF Scheme**") are recognised as expenses when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 28 to the Group's consolidation financial statements.

The fair value determined at the grant date of the share options are expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in the share-based payment capital reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment capital reserve.

When the share options are exercised, the amount previously recognised in share-based payment capital reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment capital reserve will be transferred to accumulated losses.

Share options granted to suppliers/consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share-based payment capital reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "loss before tax" as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings in the production or supply of goods or services, or for administrative purposes as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write-off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses, if any. Depreciation is recognised so as to write-off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised so as to write-off the cost of intangible assets over their estimated useful lives, using the straight-line method. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment losses, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment losses been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less estimated costs of completion and cost necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are being loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit terms of the customers, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debts and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments issued by a Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables and obligations under finance leases) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Bank balances and cash included in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3 to the consolidated financial statements, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The Directors have not come across any significant areas where critical judgements are involved in applying the Group's accounting policies.

a. *Impairment of trade and other receivables*

In determining individual impairment allowances, the Group periodically reviews its trade and other receivables to assess whether impairment allowances exist. In determining whether impairment allowances should be recorded in the consolidated statement of profit or loss, management estimates the present value of future cash flows which are expected to be received, taking into account the customers' financial situation and the net realisable value of the underlying collateral or guarantees in favour of the Group, if any.

b. *Impairment of property, plant and equipment*

The Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. Determining whether property, plant and equipment are impaired requires an estimation of the value in use of the assets. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the continuing use of the assets and from its ultimate disposal and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. *Deferred tax assets*

As at the end of the reporting period, no deferred tax asset in relation to unused tax losses and certain deductible temporary difference has been recognised in the consolidated statement of financial position. The recognition of the deferred tax asset mainly depends on whether sufficient profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are different from the original estimate, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such estimate is changed.

d. *Impairment for investments in subsidiaries*

If circumstances indicate that the Company's investments in subsidiaries, including the receivables from the subsidiaries are not recoverable, the Company's investments in subsidiaries may be considered impaired, and an impairment loss may be recognised in accordance with HKAS 36 *Impairment of Assets*. The carrying amount of the Company's investments in subsidiaries is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. The asset is tested for impairment whenever events or changes in circumstances indicate that the recorded carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for investment in subsidiaries are not readily available. In determining the value in use, expected cash flows generated by the Company's investments in subsidiaries are discounted to their present value, which requires significant judgement relating to level of sale volume and amount of operating costs of the subsidiaries. The Company use all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume and amount of operating costs of the subsidiaries.

5. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net debt, which includes obligations under finance lease, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The management reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues as well as raising of new borrowings or the repayment of existing borrowings.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2016	**2015**
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables:		
– Trade and other receivables	38,324	8,171
– Cash and bank balances	10,858	122,822
	49,182	130,993
Financial liabilities		
Financial liabilities at amortised cost:		
– Trade and other payables	44,558	19,351
– Obligations under finance lease	551	–
	45,109	19,351

b. Financial risk management objectives and polices

The Group's major financial instruments include trade and other receivables, cash and bank balances, trade and other payables and obligations under finance lease. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk and foreign currency risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

c. Market risk

The Group's activities expose it primarily to the market risks including interest rate risk (Note 6(c)(i)) and foreign currency risk (Note 6(c)(ii)).

i. *Interest rate risk management*

The Group is exposed to fair value interest rate risk in relation to obligations under finance lease at fixed rate. The Group is exposed to cash flow interest rate risk through the impact of rate changes on bank balances which carried interest at prevailing market rates. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the Directors will consider hedging significant interest rate risk should the need arise. The Directors considered the Group's exposure to interest rate risk is not material. Hence, no interest rate sensitivity analysis is presented.

ii. *Foreign currency risk management*

Foreign currency risk is the risk that the holding of monetary assets and liabilities and entering into transactions denominated in foreign currencies which will affect the Group's financial position and performance as a result of a change in foreign currency exchanges rates. At the end of the financial years, certain trade and other receivables, cash and bank balances and trade and other payables of the Group are denominated in or linked to foreign currencies, details of which are set out in respective notes, expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting periods are as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Assets		
United Stated Dollars ("US$")	36,917	5,942
Renminbi ("RMB")	5,944	54,709
Liabilities		
US$	–	5,696
RMB	6,124	17,169
Net assets (liabilities)		
US$	36,917	246
RMB	(180)	37,540

As HK$ is linked to US$, the Group does not have material exchange rate risk on such currency. Thus, the Group is mainly exposed to the currency risk of RMB.

The following table demonstrates the sensitivity analysis of the carrying amounts of significant outstanding monetary assets and monetary liabilities denominated in RMB at the end of reporting period if there was a 5% change in the exchange rate of the HK$ against RMB, with all other variables held constant, of the Group's post-tax loss. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

	Increase (decrease) in RMB rate	**Increase (decrease) in post-tax loss**
	%	*HK$'000*
Year ended 31 March 2015		
If HK$ weakens against RMB	5	(1,877)
If HK$ strengthens against RMB	(5)	1,877
Year ended 31 March 2016		
If HK$ weakens against RMB	5	9
If HK$ strengthens against RMB	(5)	(9)

In the opinion of the Directors, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposures do not reflect the exposure during the year ended 31 March 2016.

d. Credit risk management

As at 31 March 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

As at 31 March 2016, the Group has concentration of credit risk as the Group's gross trade receivables of HK$41,220,000 (2015: HK$13,827,000), representing 78.58% (2015: 65.91%) of total gross trade receivables were derived from certain major customers. In order to minimise the credit risk, the management continuously monitor the level of exposure to ensure that follow up actions and/or corrective actions are taken promptly to lower exposure or even to recover the overdue debts. The Group has no significant concentration of credit risk on the remaining trade receivables, with exposure spread over a number of counterparties and customers.

The amounts presented in the consolidated statement of financial position are net of allowances for doubtful receivables, if any, estimated by the Directors based on prior experience and their assessment of the current economic environment. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

e. Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Group's operations.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate	On demand or within 1 year	More than 1 year but less than 5 years	Total undiscounted cash flows	Carrying amounts
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2015					
Trade and other payables	–	19,351	–	19,351	19,351
At 31 March 2016					
Trade and other payables	–	44,558	–	44,558	44,558
Obligations under finance lease	2%	184	412	596	551
		44,742	412	45,154	45,109

f. Fair value measurements of financial instruments

The Directors consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. REVENUE AND SEGMENT INFORMATION

a. Revenue

Revenue represents the net amounts received and receivables that are derived from sales of goods to customers during the year.

b. Segment information

The Group's operating segments, based on information reported to the board of directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance.

Specifically, the Group's reportable and operating segments were as follows:

Retailing and Distribution:	Sale of own brand fashion accessories
CDM Sales:	Sale of the customer's chosen level of participation in the design process, concurrently works with its customer in designing the products and sales the same according to the customer's desired final design

i. *Segment revenue and results, assets and liabilities and other information*

The following is an analysis of the Group's revenue and results, assets and liabilities and other information by reportable and operating segments:

	Retailing and Distribution					
	Mainland China	Hong Kong	Sub-total	CDM Sales	Eliminations/ unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2015						
Revenue						
External sales	5,524	2,588	8,112	69,595	–	77,707
Internal sales	–	–	–	1,783	(1,783)	–
Segment revenue	5,524	2,588	8,112	71,378	(1,783)	77,707
Results						
Segment results	(20,093)	(7,576)	(27,669)	(116,314)	–	(143,983)
Unallocated income						77,516
Unallocated expenses						(24,505)
Loss before tax						(90,972)
Assets						
Segment assets	63,473	19,660	83,133	129,810	(125,944)	86,999
Investment properties						8,901
Unallocated assets						60,162
Total assets						156,062
Liabilities						
Segment liabilities	133,727	61,677	195,404	158,012	(329,370)	24,046
Unallocated liabilities						1,907
Total liabilities						25,953
Other information						
Depreciation of property, plant and equipment	1,458	38	1,496	877	1,447	3,820
Depreciation of investment properties	–	–	–	–	293	293
Amortisation of prepaid lease payments	–	–	–	401	–	401
Impairment losses recognised in respect of trade receivables	358	38	396	7,031	–	7,427
Impairment losses recognised in respect of other receivables	2,691	–	2,691	289	495	3,475
Impairment losses recognised in respect of inventories	1,981	115	2,096	1,502	–	3,598
Additions to property, plant and equipment	1,590	489	2,079	–	–	2,079
Gains on disposals of property, plant and equipment	–	(5,673)	(5,673)	(155)	(37,069)	(42,897)
Written-off of property, plant and equipment	2,905	314	3,219	–	2,277	5,496
Net gains on disposals of subsidiaries	–	–	–	–	(39,312)	(39,312)

	Retailing and Distribution					
	Mainland China	Hong Kong	Sub-total	CDM Sales	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2016						
Revenue						
Segment revenue – external sales	949	–	949	45,958	–	46,907
Results						
Segment results	(7,444)	–	(7,444)	(61,444)	–	(68,888)
Unallocated income						385
Unallocated expenses						(31,516)
Loss before tax						(100,019)
Assets						
Segment assets	37,453	–	37,453	38,517	–	75,970
Unallocated assets						30,746
Total assets						106,716
Liabilities						
Segment liabilities	7,238	–	7,238	37,645	–	44,883
Unallocated liabilities						4,514
Total liabilities						49,397
Other information						
Depreciation of property, plant and equipment	928	77	1,005	–	95	1,100
Depreciation of investment properties	–	–	–	–	118	118
Impairment losses recognised in respect of trade receivables	173	–	173	2,274	–	2,447
Reversal of impairment losses recognised in respect of trade receivables	(92)	–	(92)	(2,813)	–	(2,905)
Impairment losses recognised in respect of other receivables	1,379	26	1,405	1,684	–	3,089
Impairment losses recognised in respect of inventories	2,709	–	2,709	–	–	2,709
Additions to property, plant and equipment	28	–	28	–	603	631
Gains on disposals of property, plant and equipment	–	–	–	–	(70)	(70)
Written-off of property, plant and equipment	105	–	105	–	–	105
Losses on disposals of investment properties	–	–	–	–	3,613	3,613
Net gains on disposals of a subsidiary	–	–	–	–	(17)	(17)

The accounting policies of the above reportable and operating segments are the same as the Group's accounting policies described in Note 3 to the consolidated financial statements.

Revenue reported above represents revenue generated from external customers. No internal sales transactions between the Group's subsidiaries in the Retailing and Distribution segment and the CDM Sales segment during the year ended 31 March 2016 (2015: HK$1,783,000).

Segment results represent the profit earned or loss incurred by each segment without allocation of items not directly related to the relevant segments. This is the measure reported to CODM for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable and operating segments other than investment properties, deferred tax assets, certain property, plant and equipment, other receivables, certain deposit paid and certain cash and bank balances.

- All liabilities are allocated to reportable and operating segments other than tax liabilities, certain other payables and obligations under finance lease.

ii. *Geographical information*

The following table provides an analysis of the Group's revenue from external customers based on the location where the goods were delivered:

	2016	**2015**
	HK$'000	*HK$'000*
Hong Kong and Macao	2,013	6,379
The PRC, other than Hong Kong and Macao	6,907	9,445
The United Arab Emirates	36,000	–
Europe	1,987	48,835
Americas	–	8,861
Others	–	4,187
	46,907	77,707

The following table provides an analysis of the Group's non-current assets, excluding deferred tax assets and financial instruments based on the geographical location of the assets:

	2016	**2015**
	HK$'000	*HK$'000*
Hong Kong and Macao	634	203
The PRC, other than Hong Kong and Macao	55,293	10,305
	55,927	10,508

c. **Information about major customers**

The following table sets forth a breakdown of the Group's customers individually accounted for over 10% of the Group's total revenue during the year:

	Reportable and operating segments	2016	2015
		HK$'000	*HK$'000*
Customer A	CDM Sales	–	26,557
Customer B	CDM Sales	36,000	–

8. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Other income comprises of:		
Interest income	13	25
Rental income, less direct outgoings	–	20
Others	302	441
	315	486

9. OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Other gains and losses comprise of:		
Net exchange losses	(4,256)	(23)
Waiver of other payables	–	1,305
Written-off of property, plant and equipment	(105)	(5,496)
Impairment losses recognised in respect of trade receivables	(2,447)	(7,427)
Impairment losses recognised in respect of other receivables	(3,089)	(3,475)
Reversal of impairment losses recognised in respect of trade receivables	2,905	–
	(6,992)	(15,116)

10. FINANCE COSTS

	2016 *HK$'000*	2015 *HK$'000*
Finance costs comprise of:		
Interest on obligations under finance lease	10	–
Interest on borrowings wholly repayable within five years	–	2,148
	10	2,148

11. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	2016 *HK$'000*	2015 *HK$'000*
Staff costs (included directors' remuneration *(Note12(a))*:		
Salaries, wages and other benefits	6,616	23,498
Share-based payment expenses for the Directors and employees	4,427	–
Contributions to defined contribution retirement plans	287	900
	11,330	24,398
Cost of inventories recognised as an expense, including written-off of inventories of approximately HK$2,709,000 (2015: HK$3,598,000)	45,335	96,395
Depreciation of property, plant and equipment	1,100	3,820
Depreciation of investment properties	118	293
Amortisation of prepaid lease payments	–	401
Share-based payment expenses for consultants	12,138	–
Auditor's remuneration	632	795
Operating leases charges in respect of office premises, shops and Directors' quarters	1,985	9,726

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

a. Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Share-based payments	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2015					
Executive directors					
Mr. Tse Hoi Chau	–	3,352	18	–	3,370
Ms. Yip Ying Kam *(note (i))*	–	207	1	–	208
Mr. Lin Shao Hua	–	485	–	–	485
Non-executive director					
Ms. He Yun *(note (ii))*	66	–	–	–	66
Independent non-executive directors					
Mr. Lau Fai Lawrence	183	–	–	–	183
Mr. Lau Yiu Kit	135	–	–	–	135
Mr. Li Youhuan *(note (iii))*	183	–	–	–	183
Mr. Zeng Zhaohui *(note (iv))*	60	–	–	–	60
	627	4,044	19	–	4,690
For the year ended 31 March 2016					
Executive directors					
Mr. Tse Hoi Chau	–	2,600	18	1,388	4,006
Mr. Lin Shao Hua	–	390	–	1,388	1,778
Non-executive director					
Ms. He Yun *(note (ii))*	20	–	–	–	20
Independent non-executive directors					
Mr. Lau Fai Lawrence	120	–	–	–	120
Mr. Lau Yiu Kit	120	–	–	–	120
Mr. Zeng Zhaohui *(note (iv))*	120	–	–	–	120
	380	2,990	18	2,776	6,164

Notes:

i. Ms. Yip Ying Kam was resigned as the executive director on 13 April 2014.

ii. Ms. He Yun was appointed as non-executive director on 22 December 2014 and was resigned as non-executive director on 23 April 2015.

iii. Mr. Li Youhuan was resigned as independent non-executive director on 22 August 2014.

iv. Mr. Zeng Zhaohui was appointed as independent non-executive director on 1 October 2014.

Apart from the Directors, the Group has not classified any other person as a chief executive during the years ended 31 March 2016 and 31 March 2015.

During the years ended 31 March 2016 and 31 March 2015, no emoluments was paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the Directors has waived or agreed to waive any emoluments during the years ended 31 March 2016 and 31 March 2015.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive director's emoluments shown above were mainly for their services as director of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

b. Employees' emoluments

Of the five individuals with the highest emoluments, two (2015: two) are Directors for the year ended 31 March 2016, details of whose emoluments are included in the disclosure in Note 12(a) above.

The emoluments of the remaining three (2015: three) individuals were as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	1,550	1,390
Retirement benefit scheme contributions	47	38
Share-based payments	1,651	–
	3,248	1,428

The emoluments of these three (2015: three) individuals with the highest emoluments are within the following band:

	2016	**2015**
Nil to HK$1,000,000	3	3

During the current and prior years, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2016, nor has any dividend been proposed since the end of the reporting period (2015: Nil).

14. INCOME TAX EXPENSE

	2016	**2015**
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Current year	(5)	(159)
– Overprovision in prior years	57	604
	52	445
PRC Enterprise Income Tax ("PRC EIT")		
– Current year	–	–
Deferred tax		
– Current year *(Note 19)*	(63)	(463)
Income tax expense	(11)	(18)

Hong Kong Profits Tax is calculated at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year.

Macao Complementary Tax is calculated at the maximum progressive rate of 12% (2015: 12%) on the estimated assessable profits arising from Macao for the year.

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 subsidiary is 25% (2015: 25%) for the year.

Artini Macao Commercial Offshore Limited (formerly known as Arts Empire Macao Commercial Offshore Limited) was established as a Macao offshore company under the Macao Offshore Law and is exempted from Macao Complementary Tax. No provision for Macao Complementary Tax and PRC EIT has been made in the consolidated financial statements as the relevant group entities incurred tax losses for the years ended 31 March 2016 and 31 March 2015.

The income tax expense for the years can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2016	2015
	HK$'000	*HK$'000*
Loss before tax	(100,019)	(90,972)
Tax calculated at the rate applicable to the tax jurisdictions concerned	(13,547)	(13,273)
Tax effect of expenses not deductible for tax purposes	19,486	25,994
Tax effect of income not taxable for tax purposes	(8,154)	(21,193)
Tax effect of deductible temporary differences not recognised	9	46
Write-down of deferred tax assets on temporary differences previously recognised	54	565
Tax effect of utilisation of temporary differences previously not recognised	–	(148)
Tax effect of tax losses not recognised	2,264	8,808
Overprovision in prior years	(57)	(604)
Tax effect of utilisation of tax losses previously not recognised	(29)	(177)
Others	(15)	–
Income tax expense	11	18

15. LOSS PER SHARE

The calculation of basic loss per share attributable to the owners of the Company is based on the consolidated loss for the year attributable to the owners of the Company of approximately HK$100,030,000 (2015: HK$90,990,000) and the weighted average of approximately 2,527,702,000 (2015: approximately 1,142,403,000) ordinary shares of the Company in issue during the year.

Diluted loss per share for the years ended 31 March 2016 and 31 March 2015 is not presented because the exercise of outstanding share options during the years have anti-dilutive effect on the basic loss per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Office equipment	Furniture and fixtures	Motor vehicles	Plant and machinery	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
As at 1 April 2014	32,534	14,697	27,497	2,710	9,475	3,896	90,809
Exchange adjustments	197	52	181	15	34	35	514
Additions	–	1,866	201	12	–	–	2,079
Disposals of subsidiaries	(15,028)	(298)	(2,156)	(1,186)	(1,454)	(1,939)	(22,061)
Other disposals	(17,703)	–	(1,752)	(668)	–	(1,992)	(22,115)
Written-off	–	(12,879)	(23,729)	(855)	(1,860)	–	(39,323)
As at 31 March 2015	–	3,438	242	28	6,195	–	9,903
Exchange adjustments	–	(42)	(11)	–	(91)	–	(144)
Additions	–	4	24	–	603	–	631
Disposal of a subsidiary	–	(12)	(215)	–	–	–	(227)
Other disposals	–	–	–	–	(623)	–	(623)
Written-off	–	(1,344)	–	–	–	–	(1,344)
As at 31 March 2016	–	2,044	40	28	6,084	–	8,196
Accumulated depreciation and impairments							
As at 1 April 2014	9,984	10,769	25,262	2,560	7,598	1,864	58,037
Exchange adjustments	63	40	158	15	24	17	317
Provided for the year	1,120	910	455	4	1,091	240	3,820
Eliminated on disposals of subsidiaries	(5,260)	(224)	(2,244)	(1,106)	(1,143)	(1,532)	(11,509)
Eliminated on other disposals	(5,907)	–	(1,446)	(600)	–	(589)	(8,542)
Written-off	–	(8,995)	(22,117)	(855)	(1,860)	–	(33,827)
As at 31 March 2015	–	2,500	68	18	5,710	–	8,296
Exchange adjustments	–	(18)	(4)	–	(72)	–	(94)
Provided for the year	–	748	94	2	256	–	1,100
Eliminated on disposal of a subsidiary	–	(11)	(118)	–	–	–	(129)
Eliminated on other disposals	–	–	–	–	(623)	–	(623)
Written-off	–	(1,239)	–	–	–	–	(1,239)
As at 31 March 2016	–	1,980	40	20	5,271	–	7,311
Carrying amounts							
As at 31 March 2016	–	64	–	8	813	–	885
As at 31 March 2015	–	938	174	10	485	–	1,607

The above items of property, plant and equipment after taking into account of their estimated residual values, are depreciated on a straight-line basis on the following basis:

Buildings	Over the terms of the leases or 50 years, whichever is shorter
Leasehold improvements	Over the terms of the leases
Office equipment	5 to 10 years
Furniture and fixtures	5 years
Motor vehicles	5 to 10 years
Plant and machinery	5 to 10 years

As at 31 March 2016, the carrying amount of motor vehicle included an amount of approximately HK$562,000 (2015: Nil) in respect of assets held under finance lease (Note 25).

17. INVESTMENT PROPERTIES

	HK$'000
Cost	
As at 1 April 2014	11,302
Exchange adjustments	131
As at 31 March 2015	11,433
Disposals	(10,992)
Exchange adjustments	(441)
As at 31 March 2016	–
Accumulated depreciation	
As at 1 April 2014	2,212
Provided for the year	293
Exchange adjustments	27
As at 31 March 2015	2,532
Provided for the year	118
Eliminated on disposals	(2,552)
Exchange adjustments	(98)
As at 31 March 2016	–
Carrying amounts	
As at 31 March 2016	–
As at 31 March 2015	8,901

The Group's investment properties are depreciated on a straight-line basis over the terms of the leases.

As at 31 March 2015, the Group's investment properties of approximately HK$8,901,000 are erected on land held under medium-term land use rights in the PRC.

During the year ended 31 March 2016, all of the Group's investment properties were disposed.

18. INTANGIBLE ASSETS

	Trademarks	Licence rights	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
As at 1 April 2014, 31 March 2015 and **31 March 2016**	1,840	14,048	15,888
Accumulated amortisation and impairments			
As at 1 April 2014, 31 March 2015 and **31 March 2016**	1,840	14,048	15,888
Carrying amount			
As at 31 March 2016	–	–	–
As at 31 March 2015	–	–	–

The Group's licence rights with finite useful lives are amortised on a straight-line basis over period of the licence of three years.

The trademarks related to the Group's brand name are considered to have indefinite useful lives which were fully impaired in prior years.

19. DEFERRED TAXATION

The following are the Group's major deferred tax assets in respect of accelerated tax depreciation recognised and the movements thereon, during the current and prior years.

	HK$'000
As at 1 April 2014	(480)
Charged to profit or loss *(Note 14)*	463
Disposals of subsidiaries *(Note 30(a)(ii))*	(46)
As at 31 March 2015	(63)
Charged to profit or loss *(Note 14)*	63
As at 31 March 2016	–

As at 31 March 2016, the Group has deductible temporary difference of approximately HK$19,000 (2015 HK$455,000) in respect of trade and other receivables. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not certain that taxable profit will be available which the deductible temporary differences can be utilised.

As at 31 March 2016, the Group has unused tax losses of approximately HK$339,843,000 (2015: HK$334,184,000) available for offsetting against future profits. No deferred tax assets have been recognised as certain entities of the Group have been loss making for several years and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Tax losses may be carried forwards indefinitely except for those tax losses amounted to HK$137,697,000 (2015: HK$185,532,000) that will expire in the coming few years.

20. DEPOSITS PAID

	Notes	2016 HK$'000	2015 HK$'000
Deposits paid in respect of:			
– Acquisition of properties	*a*	24,042	–
– Acquisition of trademarks	*b*	31,000	–
		55,042	–

Notes:

a. Deposit paid in respect of acquisition of properties

The amount represents the deposit paid in respect of the acquisition of certain properties in the PRC. Pursuant to the Company's announcement dated 1 March 2016, Shenzhen Artini Hongli Enterprises Co. Ltd. ("**CEPA**", the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, and 河南大正投資置業有限公司 (Henan Dazhen Property Investment Company Limited, the "Seller") entered into the sale and purchase agreements (the "**Properties Sale and Purchase Agreements**") and pursuant to which, CEPA agreed to acquire and the Seller agreed to sell four properties located in Zhengzhou City, the PRC (the "**Properties**") to the Group for a total consideration of RMB20,000,000 (equivalent to approximately HK$24,042,000). Pursuant to the Properties Sale and Purchase Agreements, the Seller shall have applied for initial registration in respect of the Properties with governmental authorities by 31 July 2016 (and shall deliver the relevant building ownership certificate within 180 days of such registration), and shall deliver the Properties by 31 August 2016 in a completed state fitted with utilities. Where the Seller fails to deliver the Properties after 90 days from 31 August 2016, the Purchaser is entitled to terminate the relevant Properties Sale and Purchase Agreement for a refund together with compensation.

Further details of the above transaction are set out in the Company's announcement dated 1 March 2016.

b. Deposit paid in respect of acquisition of trademarks

The amount represents the deposit paid in respect of the acquisition of trademarks (the "**Trademarks**") which were registered in the PRC in relation to the retailing and distribution segment. During the year ended 31 March 2016, Instar International Co, Ltd, an indirectly wholly-owned subsidiary of the Company, agreed to acquire the Trademarks for a total consideration of HK$31,000,000 (equivalent to US$4,000,000). As at 31 March 2016, the titles of the Trademarks have not yet transferred to the Group and thus, the amount was classified as the "Deposits paid" in the Group's consolidated statement of financial position.

21. INVENTORIES

	2016 HK$'000	2015 HK$'000
Finished goods	428	3,515

22. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	52,455	20,980
Less: Allowances	(17,177)	(17,677)
Trade receivables, net	35,278	3,303
Rental deposits	250	2,250
Advances to staff	10	804
Receivable from disposals of subsidiaries *(Note 30)*	1,400	100
Other receivables, net of allowances	2,565	12,697
	4,225	15,851
	39,503	19,154

Trade receivables at the end of the reporting period comprise amounts receivable from the sales of goods. No interest is charged on the trade receivables.

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer in considering the customer's quality and determining the credit limits for that customer.

The Group generally allows an average credit period of 30 to 90 days to its customers. The aging analysis of the Group's trade receivables presented (net of allowances) based on invoice date as at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	16,498	308
31 – 60 days	10,582	–
61 – 90 days	8,198	2,837
Over 90 days	–	158
	35,278	3,303

The aging analysis of trade receivables which are past due but not impaired is as follows:

	2016	2015
	HK$'000	*HK$'000*
Over 6 months past due	–	158

Movements of the Group's allowances for doubtful debts for trade receivables during the two years are as follows:

	2016	2015
	HK$'000	*HK$'000*
As at 1 April	17,677	10,240
Allowances	2,447	7,427
Reversal of provision for impairment	(2,905)	–
Disposal of a subsidiary	(2)	–
Exchange adjustments	(40)	10
As at 31 March	17,177	17,677

Other than the above allowances for doubtful debts, the Group did not provide any allowance on the remaining past due receivables as, in the opinion of the Directors, there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances.

Furthermore, in the opinion of the Directors, there has not been a significant change in credit quality of the Group's trade receivables which are neither past due nor impaired and the amounts are still considered recoverable based on the historical experience.

Included in trade receivables are the following amounts denominated in a currency other than the functional currency of the Group:

	2016	2015
	HK$'000	*HK$'000*
US$	35,248	2,866
RMB	30	437

23. CASH AND BANK BALANCES

	2016	2015
	HK$'000	*HK$'000*
Cash and bank balances	10,858	122,822

As at 31 March 2016, the Group's bank balances carry interest at market rates ranged from 0.001% to 0.6% per annum (2015: 0.01% to 0.35% per annum).

The Group's cash and bank balances denominated in RMB which is not a freely convertible currency in the international market and the remittance of RMB out of the PRC is subject to exchange restrictions imposed by the Government of the PRC in respect of the relevant group companies were as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Currency:		
RMB	4,430	47,957

24. TRADE AND OTHER PAYABLES

	2016	**2015**
	HK$'000	*HK$'000*
Trade payables	37,820	4,094
Receipts in advance	4,176	6,430
Value added tax and other tax payables	11	13
Payrolls and staff cost payables	12	819
Other payables	6,726	14,438
	48,745	25,794

The Group's trade payables principally comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit term of 30 to 90 days (2015: 30 days).

The aging analysis of the Group's trade payables presented based on invoice date as at the end of the reporting period is as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Within 3 months	35,156	1,083
Over 1 year	2,664	3,011
	37,820	4,094

25. OBLIGATIONS UNDER FINANCE LEASE

At the end of the reporting period, the Group had obligations under finance lease repayable as follows:

	2016		2015	
	Present value of minimum lease payments	Total minimum lease payments	Present value of minimum lease payments	Total minimum lease payments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payables under finance lease:				
– Within one year	160	184	–	–
– Within a period of more than one year but not more than two years	169	184	–	–
– Within a period of more than two years but not more than five years	222	228	–	–
	551	596	–	–
Less: Total future finance charges	–	(45)	–	–
	551	551	–	–
Less: Amount due for settlement within one year shown under current liabilities	(160)		–	
Amount due for settlement after 12 months	391		–	

The Group's obligations under finance lease are secured by the leased assets as set out in Note 16 to the consolidated financial statements.

It is the Group's policy to lease a motor vehicle under finance lease. The lease term is 4 years for the year ended 31 March 2016. Interest rates underlying all obligations under finance lease are fixed at respective contract dates at 2% per annum. The Group has option to purchase the motor vehicle for a nominal value at the end of the lease term. No arrangement has been entered into for contingent rental.

26. SHARE CAPITAL

	2016		2015	
	Number of shares	Amount	Number of shares	Amount
	'000	*HK$'000*	*'000*	*HK$'000*
Ordinary shares				
Authorised:				
As at 1 April	30,000,000	300,000	3,000,000	300,000
Share Consolidation *(note (a)(i))*	–	–	(1,500,000)	–
Capital Reduction *(note (a)(ii))*	–	–	–	(285,000)
Share Subdivision *(note (a)(iii))*	–	–	28,500,000	285,000
As at 31 March	30,000,000	300,000	30,000,000	300,000
Issued and fully paid:				
As at 1 April	2,474,640	24,746	1,237,320	123,732
Share Consolidation *(note (a)(i))*	–	–	(618,660)	–
Capital Reduction *(note (a)(ii))*	–	–	–	(117,545)
Issue of shares in respect of Open Offer *(note (b))*	–	–	1,855,980	18,559
Issue of shares in respect of Placing *(note (c))*	95,200	952	–	–
As at 31 March	2,569,840	25,698	2,474,640	24,746

The movements of the authorised and issued share capital of the Company during the current and prior years are as follows:

a. Capital reorganisation (the "Capital Reorganisation")

Pursuant to the special resolution of the Company's shareholders at its special general meeting on 17 November 2014, the Capital Reorganisation, involving the share consolidation (the "**Share Consolidation**"), the capital reduction (the "**Capital Reduction**"), the share subdivision (the "**Share Subdivision**") and the elimination of accumulated losses (the "**Elimination of Accumulated Losses**") were approved by the shareholders of the Company and the details are as follows:

i. Share Consolidation

The consolidation of every two existing shares of nominal value of HK$0.10 each in the issued and unissued share capital of the Company were consolidated into one consolidated share of nominal value of HK$0.20 (the "**Consolidated Share**"). Prior to the Share Consolidation, there were 1,237,320,323 existing shares in issue and fully paid. On the basis of such issued share capital, there were 618,660,161 Consolidated Shares in issue at nominal value of HK$0.20 and were fully paid following the Share Consolidation.

ii. *Capital Reduction*

The issued share capital of the Company was reduced by the cancellation of: (a) the paid-up capital of the Company to the extent of HK$0.19 on each Consolidated Share such that the nominal value of each issued Consolidated Share was reduced from HK$0.20 to HK$0.01 of the Company; and (b) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation.

iii. *Share Subdivision*

Immediately following the Share Consolidation and the Capital Reduction, each authorised but unissued Consolidated Share of nominal value of HK$0.20 (including all those arising from the Capital Reduction) was subdivided into twenty new shares of HK$0.01 each (the "**New Share**").

iv. *Elimination of Accumulated Losses*

Based on 1,237,320,323 existing shares in issue as at the date prior to the Share Consolidation and the Capital Reduction, the credit arising from the Capital Reduction of approximately HK$117,545,000 was transferred to the contributed surplus account of the Company. Subsequently, the whole sum of approximately HK$117,545,000 in the contributed surplus account was applied to set off against part of the accumulated losses of the Company as at 31 March 2014.

b. **Issue of shares in respect of Open Offer**

Pursuant to the ordinary resolution of the Company's independent shareholders at its special general meeting on 17 November 2014, the open offer (the "**Open Offer**") was approved by the independent shareholders of the Company whereby the Company issued 1,855,980,483 offer shares (the "**Offer Shares**") at the subscription price of HK$0.10 per Offer Share on the basis of three Offer Shares for every one New Share at the nominal value of HK$0.01 each of the Company to the then existing shareholders of the Company. On 16 December 2014, the Company completed its Open Offer. The net proceeds from the Open Offer, after deducting directly attributable costs of approximately HK$2,600,000 were approximately HK$183,000,000.

Details of the Capital Reorganisation and Open Offer were disclosed in the Company's announcements dated 23 September 2014, 17 November 2014, 18 November 2014, 27 November 2014 and 18 December 2014, and the Company's circular dated 24 October 2014 and the Company's prospectus dated 27 November 2014, respectively.

c. **Issue of shares in respect of Placing**

On 27 August 2015, the Company entered into a placing agreement with a placing agent to place 95,200,000 placing shares with the par value of HK$0.01 each at a price of HK$0.105 per placing share to certain independent placees (the "**Placing**"). The Placing has been completed on 10 September 2015.

Details of the Placing were disclosed in the Company's announcements dated 27 August 2015 and 10 September 2015.

All the new shares issued during the two years ended 31 March 2015 and 31 March 2016 rank pari passu with the then existing shares of the Company in all respects.

27. RETIREMENT BENEFIT SCHEMES

The employees of the Group in the PRC are members of government-managed retirement benefit schemes operated by the PRC government. The Group is required to contribute a specified percentage of its payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions under the schemes.

The Group participates in a defined contribution scheme which is registered under the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. For member of the MPF Scheme, the Group contributes 5% or HK$1,500 in maximum of relevant payroll costs to the scheme, which contribution is matched by employees.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the current and prior years are disclosed in Note 11 to the consolidated financial statements.

28. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which were adopted on 23 April 2008 whereby the Directors are authorised, at their discretion, to invite directors (including executive, non-executive and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers for the Group, to take up options at nominal consideration to subscribe for shares of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the schemes shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the schemes, unless the Company obtains a fresh approval from its shareholders. Notwithstanding this, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the schemes shall not exceed 30% of the total number of shares in issue from time to time. The total number of shares issued and to be issued upon exercise of the options granted to any individual in any 12-month period shall not exceed 1% of the total number of shares in issue at any point in time, without prior approval from the Company's shareholders. Options granted to any individual who is a substantial shareholder of the Company or independent non-executive director or any of their respective associates in the 12-month period up to and including date of such grant in excess of 0.1% of the Company's share capital at the date of grant and with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted under the share option scheme must be taken up within 28 days of the date of grant upon payment of HK$1 per grant of option. Options may generally be exercised at any time during the period after the options have been granted, such period to expire not later than 10 years after the date of the grant of the options. The subscription price for shares will not be less than the higher of (i) the closing price of the Company's shares on the date of options granted; (ii) the average closing price of the Company's shares for the 5 business days immediately preceding the date of options granted; and (iii) the nominal value of the Company's share.

The movements of the options granted during the current and prior years are as follows:

Name of category of participant	Particulars	Date of grant	Exercise price HK$	Exercise price after adjustment# HK$	Exercise period	Number of share options: Outstanding as at 1 April	Adjustment due to Share Consolidation and Open Offer#	Lapsed during the year	Reclassification (Note b)	Outstanding as at 31 March
Year ended 31 March 2015										
Directors										
Ms. Yip Ying Kam	Tranche H *(note (a))*	24 February 2012	0.222	N/A	24 February 2012 to 23 February 2015	6,000,000	–	(6,000,000)	–	–
	Tranche I *(note (a))*	24 February 2012	0.222	N/A	24 February 2015 to 23 February 2018	6,000,000	–	(6,000,000)	–	–
Mr. Tse Hoi Chau	Tranche J *(note (c))*	28 March 2014	0.2618	0.4709	28 March 2014 to 27 March 2019	12,000,000	(5,328,600)	–	–	6,671,400
Mr. Lin Shao Hua	Tranche J *(note (c))*	28 March 2014	0.2618	0.4709	28 March 2014 to 27 March 2019	12,000,000	(5,328,600)	–	–	6,671,400
Employees	Tranche J *(note (c))*	28 March 2014	0.2618	0.4709	28 March 2014 to 27 March 2019	24,000,000	(10,657,200)	–	(6,671,400)	6,671,400
Others										
– Consultants	Tranche J *(note (c))*	28 March 2014	0.2618	0.4709	28 March 2014 to 27 March 2019	60,000,000	(26,643,000)	–	–	33,357,000
– Others	Tranche J *(note (c))*	28 March 2014	0.2618	0.4709	28 March 2014 to 27 March 2019	–	–	–	6,671,400	6,671,400
						120,000,000	(47,957,400)	(12,000,000)	–	60,042,600
Weighted average exercise prices						0.2578	0.4709	0.222	0.4709	0.4709

Following the Share Consolidation and Open Offer on 17 November 2014 and 16 December 2014, respectively, the exercise price of the outstanding share options was adjusted from HK$0.2618 to HK$0.4709. The numbers of share options were also adjusted as a result of the Share Consolidation and the Open Offer.

The movements of the options granted during the current and prior years are as follows:

Name of category of participant	Particulars	Date of grant	Exercise price	Exercise period	Number of share options: Outstanding as at 1 April	Granted during the year	Outstanding as at 31 March
			HK$				
Year ended 31 March 2016							
Directors							
Mr. Tse Hoi Chau	Tranche J *(note (c))*	28 March 2014	0.4709	28 March 2014 to 27 March 2019	6,671,400	–	6,671,400
	Tranche K *(note (d))*	9 July 2015	0.147	9 July 2015 to 8 July 2020	–	10,000,000	10,000,000
	Tranche L *(note (d))*	9 July 2015	0.147	9 July 2016 to 8 July 2020	–	10,000,000	10,000,000
Mr. Lin Shao Hua	Tranche J *(note (c))*	28 March 2014	0.4709	28 March 2014 to 27 March 2019	6,671,400	–	6,671,400
	Tranche K *(note (d))*	9 July 2015	0.147	9 July 2015 to 8 July 2020	–	10,000,000	10,000,000
	Tranche L *(note (d))*	9 July 2015	0.147	9 July 2016 to 8 July 2020	–	10,000,000	10,000,000
Employees	Tranche J *(note (c))*	28 March 2014	0.4709	28 March 2014 to 27 March 2019	6,671,400	–	6,671,400
	Tranche K *(note (d))*	9 July 2015	0.147	9 July 2015 to 8 July 2020	–	800,000	800,000
	Tranche L *(note (d))*	9 July 2015	0.147	9 July 2016 to 8 July 2020	–	800,000	800,000
	Tranche M *(note (e))*	27 November 2015	0.1488	27 November 2015 to 26 November 2020	–	16,000,000	16,000,000
	Tranche N *(note (e))*	27 November 2015	0.1488	27 November 2016 to 26 November 2020	–	16,000,000	16,000,000
Others							
– Consultants	Tranche J *(note (c))*	28 March 2014	0.4709	28 March 2014 to 27 March 2019	33,357,000	–	33,357,000
	Tranche K *(note (d))*	9 July 2015	0.147	9 July 2015 to 8 July 2020	–	10,100,000	10,100,000
	Tranche L *(note (d))*	9 July 2015	0.147	9 July 2016 to 8 July 2020	–	10,100,000	10,100,000

Name of category of participant	Particulars	Date of grant	Exercise price	Exercise period	Number of share options: Outstanding as at 1 April	Granted during the year	Outstanding as at 31 March
			HK$				
	Tranche M *(note (e))*	27 November 2015	0.1488	27 November 2015 to 26 November 2020	–	112,100,000	112,100,000
	Tranche N *(note (e))*	27 November 2015	0.1488	27 November 2016 to 26 November 2020	–	112,100,000	112,100,000
– Others	Tranche J *(note (c))*	28 March 2014	0.4709	28 March 2014 to 27 March 2019	6,671,400	–	6,671,400
					60,042,600	318,000,000	378,042,600
Weighted average exercise prices					0.4709	0.1485	0.1997

Notes:

a. Pursuant to the Company's announcement dated 14 March 2014, Ms. Yip Ying Kam has tendered her resignation as executive director and vice chairman of the Company and also as director of all subsidiaries of the Company in which she was a director, which has become effective on 13 April 2014 and accordingly, the 12,000,000 share options granted to Ms. Yip Ying Kam were lapsed and recognised as reversal of share-based payments expense of HK$1,146,000 (2014: Nil) upon the lapsed of such share options in the consolidated statement of changes in equity subsequently.

   The options outstanding which was granted on 24 February 2012 had an exercise price of HK$0.222 as at 31 March 2014 and a weighted average remaining contractual life of 2.40 years. As at 31 March 2015, after resignation of Ms. Yip Ying Kam, there were no options outstanding granted on 24 February 2012.

b. An employee was granted 12,000,000 share options during the year ended 31 March 2014. As the employee was resigned as an employee during the year ended 31 March 2015 and the respective share options are reclassified from the category of employees to others.

c. Pursuant to the Company's announcement on 28 March 2014, a total of 108,000,000 share options to subscribe for ordinary shares of HK$0.10 each of the Company were granted to certain eligible participants, including the directors and employees of the Company and the consultants under the share option scheme adopted by the Company on 23 April 2008. Details of the share options granted are as follows:

Date of grant:	28 March 2014
Exercise price of share options granted:	HK$0.2618 per share
Number of share options granted:	108,000,000 share options
Closing price of the share on the date of grant:	HK$0.231
Exercise periods	28 March 2014 to 27 March 2019

   Each of the share option shall entitle the holder of the share option to subscribe for one share upon exercise of such share option at an exercise price of HK$0.2618 per share, which represents the higher of (i) the closing price of HK$0.231 per share as stated in the daily quotations sheet issued by the Stock Exchange on 28 March 2014, being the date of grant (the "**Date of Grant 2014**"); (ii) the average closing price of HK$0.2618 per share as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the Date of Grant 2014; and (iii) the nominal value of the share of HK$0.10 each in the capital of the Company.

d. Pursuant to the Company's announcement on 9 July 2015, a total of 61,800,000 share options to subscribe for ordinary shares of HK$0.01 each of the Company were granted to certain eligible participants, including the directors and employees of the Company and the consultants under the share option scheme adopted by the Company on 23 April 2008. Details of the share options granted are as follows:

Date of grant:	9 July 2015
Exercise price of share options granted:	HK$0.147 per share
Number of share options granted:	61,800,000 share options
Closing price of the share on the date of grant:	HK$0.136
Exercise periods	
– 30,900,000 share options	9 July 2015 to 8 July 2020
– 30,900,000 share options	9 July 2016 to 8 July 2020

Each of the share option shall entitle the holder of the share option to subscribe for one share upon exercise of such share option at an exercise price of HK$0.147 per share, which represents the higher of (i) the closing price of HK$0.136 per share as stated in the daily quotations sheet issued by the Stock Exchange on 9 July 2015, being the date of grant (the "**Date of Grant 2015(A)**"); (ii) the average closing price of HK$0.147 per share as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the Date of Grant 2015(A); and (iii) the nominal value of the share of HK$0.01 each in the capital of the Company.

A maximum of 50% of the total number of share options granted to the eligible participants may be exercisable immediately after the Date of Grant 2015(A). The remaining 50% of the total number of share options granted to the eligible participants may be exercisable after 8 July 2016. The fair value of the share options is expensed on a straight-line basis over the vesting period.

e. Pursuant to the Company's announcement on 27 November 2015, a total of 256,200,000 share options to subscribe for ordinary shares of HK$0.01 each of the Company were granted to certain eligible participants, including the employees of the Company and the consultants under the share option scheme adopted by the Company on 23 April 2008. Details of the share options granted are as follows:

Date of grant:	27 November 2015
Exercise price of share options granted:	HK$0.1488 per share
Number of share options granted:	256,200,000 share options
Closing price of the share on the date of grant:	HK$0.147
Exercise periods	
– 128,100,000 share options	27 November 2015 to 26 November 2020
– 128,100,000 share options	27 November 2016 to 26 November 2020

Each of the share option shall entitle the holder of the share option to subscribe for one share upon exercise of such share option at an exercise price of HK$0.1488 per share, which represents the higher of (i) the closing price of HK$0.147 per share as stated in the daily quotations sheet issued by the Stock Exchange on 27 November 2015, being the date of grant (the "**Date of Grant 2015(B)**"); (ii) the average closing price of HK$0.1488 per share as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the Date of Grant 2015(B); and (iii) the nominal value of the share of HK$0.01 each in the capital of the Company.

A maximum of 50% of the total number of the share options granted to the eligible participants may be exercisable immediately after the Date of Grant 2015(B), and the remaining 50% of the total number of the share options granted to the eligible participants may be exercisable after 26 November 2016. The fair value of the share options is expensed on a straight-line basis over the vesting period.

As at 31 March 2016, the outstanding options granted on 28 March 2014 had an exercise price of HK$0.4709 (2015: HK$0.4709 (after the adjustment of Share Consolidation and Open Offer)) and a weighted average remaining contractual life of 2.99 years (2015: 3.99 years).

As at 31 March 2016, the outstanding options granted on 9 July 2015 had an exercise price of HK$0.147 and a weighted average remaining contractual life of 4.27 years.

As at 31 March 2016, the outstanding options granted on 27 November 2015 had an exercise price of HK$0.1488 and a weighted average remaining contractual life of 4.66 years.

No share options were exercised during the current and prior years. Each option holder is entitled to subscribe for one ordinary share in the Company.

Share-based payment expenses of approximately HK$16,565,000 (2015: Nil) has been included in the consolidated statement of profit or loss for the year ended 31 March 2016 which gave rise to a share-based payment capital reserve and details are summarised as following:

i. During the year ended 31 March 2016, the fair value of the share options granted to the Directors and employees of the Company was estimated at approximately HK$5,676,000 (2015: Nil). The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The Group recognised the total expense of approximately of HK$4,427,000 for the year ended 31 March 2016 (2015: Nil) in relation to the share options granted to the Directors and employees of the Company.

ii. During the year ended 31 March 2016, the fair value of the share options granted to the consultants was estimated at approximately HK$17,886,000 (2015: Nil). In the opinion of the Directors, in view of the fair value of the service received from the consultants could not be estimated reliably by the Company, the fair value of the service received from the consultants was measured indirectly by reference to the fair value of the share option granted to the consultants and accordingly, the fair value was estimated at approximately HK$17,886,000 (2015: Nil). The Group recognised the total expense of approximately HK$12,138,000 (2015: Nil) for the year ended 31 March 2016 in relation to the share option granted to the consultants.

The fair values of share options granted during the year ended 31 March 2016 were determined by the Directors with reference to a valuation performed by an independent valuer, BMI Appraisals Limited.

No liabilities were recognised due to these equity-settled share-based payment transactions.

The fair values of the share options granted which are existed during the year was measured based on the binomial option pricing model. The inputs into the model were as follows:

Granted on	24 February 2012	24 February 2012	28 March 2014	9 July 2015	9 July 2015	27 November 2015	27 November 2015
Tranche	H	I	J	K	L	M	N
Fair value per share option at measurement date (HK$)							
– Directors	HK$0.098	HK$0.134	HK$0.120	HK$0.079	HK$0.082	N/A	N/A
– Employees	N/A	N/A	HK$0.108	HK$0.072	HK$0.076	HK$0.071	HK$0.075
– Consultants	N/A	N/A	HK$0.135	HK$0.072	HK$0.076	HK$0.071	HK$0.075
Exercise price (HK$)	HK$0.222	HK$0.222	HK$0.2618	HK$0.147	HK$0.147	HK$0.1488	HK$0.1488
Expected volatility (%)	69.56%	71.76%	74.3%	88.18%	88.18%	88.81%	88.81%
Expected option period (Years)	3 years	6 years	5 years	5 years	5 years	5 years	5 years
Risk-free rate (based on Hong Kong Exchange Fund Notes) (%)	0.350%	0.790%	1.474%	1.129%	1.129%	1.053%	1.053%
Expected dividend yield (%)	0%	0%	0%	0%	0%	0%	0%
Fair value	588,000	806,000	13,572,000	2,368,000	2,462,000	9,105,000	9,627,000

The expected volatility was based on the historical volatility of the share price of the Company and comparable companies. The expected life used in the model was adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

The option pricing model requires the input of highly subjective assumptions, including the volatility of share price. Changes in the subjective input assumptions could materially affect the fair value estimate.

As at 31 March 2016, the Company had 378,042,600 (2015: 60,042,600) share options outstanding under the share option scheme. The exercise in full of the remaining share options under the present capital structure of the Company, would result in issue of 378,042,600 (2015: 60,042,600) additional ordinary shares of the Company and additional share capital of HK$3,780,426 (2015: HK$600,426) and share premium of approximately HK$71,701,000 (2015: HK$27,673,000) (before the issue expenses).

29. OTHER COMMITMENTS

a. Operating leases

The Group as lessee

	2016 *HK$'000*	2015 *HK$'000*
Minimum lease payments paid under operating leases during the year in respect of office premises, shops and Directors' quarters	1,985	9,726

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	2016	2015
	HK$'000	*HK$'000*
Within one year	918	4,169
In the second to the fifth years, inclusive	518	3,644
	1,436	7,813

Operating lease payments represent rentals payable by the Group for the Group's office premises, shops and Directors' quarters. Leases are negotiated for lease terms ranging from one to two years (2015: one to four years) at inception, with an option to renew the lease at the expiry date or at dates mutually agreed between the Group and the landlord.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016	2015
	HK$'000	*HK$'000*
Within one year	–	234
In the second to the fifth years, inclusive	–	550
	–	784

Property rental income earned was approximately HK$20,000 in 2014. The Group's properties held for rental purposes have been disposed during the year ended 31 March 2016.

b. Capital commitments

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

	2016	2015
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment that are contracted for but not provided in the consolidated financial statements	–	3,470

30. DISPOSAL OF SUBSIDIARIES

a. Disposal of subsidiaries during the year ended 31 March 2015

(i) Disposal of TCK Company Limited ("TCK")

On 9 October 2014, the Group entered into a sale and disposal agreement with Celestial Elite Investments Limited ("**Celestial Elite**") and pursuant to which, the Group disposed of the entire equity interests in TCK to Celestial Elite for a consideration of HK$16,257,000 (the "**TCK Disposal**"). Celestial Elite is a private limited liability company incorporated in Samoa and is wholly owned by Mr. Tse Hoi Chau ("**Mr. Tse**"), the Chairman, an executive director and a controlling shareholder of the Company. TCK is a private limited liability company incorporated in the British Virgin Islands which was a former wholly owned subsidiary of the Company. 超群(海豐)首飾廠有限公司 (Artist Empire (Hai Feng) Jewellery Mfy. Limited, "Artist Hai Feng") is a private limited liability company incorporated in the PRC which is a wholly owned subsidiary of TCK. TCK and Artist Hai Feng are collectively referred to as the TCK Group. The TCK Group had been responsible for the manufacture and sale of the Group's own brand fashion accessories for customers. The Directors consider that the business environment for the manufacture and sale of fashion accessories has been competitive in the past few years and TCK Group has recorded losses for the past three years. Accordingly, the Directors consider that the disposal of TCK Group will enhance the Company to reallocate its resources to expand the existing accessories retailing business and retailing business for other types of products with higher growth potential. The completion of the TCK Disposal took place on 29 December 2014.

Details of the TCK Disposal were disclosed in the Company's announcements dated 9 October 2014, 18 November 2014 and 29 December 2014 and the Company's circular dated 30 October 2014, respectively.

Consideration transferred

	HK$'000
Consideration received	16,257

The net assets of the TCK Group disposed of during the year were as follows:

	HK$'000
Net assets disposed of:	
– Property, plant and equipment	10,433
– Prepaid lease payments	7,948
– Inventories	2,833
– Trade and other receivables	3,221
– Amounts due from group companies	179,997
– Cash and cash equivalents	466
– Trade and other payables	(25,412)
– Tax liabilities	(1,872)
– Amounts due to group companies	(345,021)
Total identifiable net liabilities disposed of	(167,407)
Cumulative exchange differences in respect of the net liabilities of TCK Group reclassified from equity to profit or loss upon the disposals of TCK Group	(21,579)
Waiver of amounts due from/to TCK Group – net	165,024
Gains on disposals of subsidiaries	40,219
Total consideration received	16,257

Net cash inflow arising on the disposals of the TCK Group

	HK$'000
Cash consideration	16,257
Less: Cash and cash equivalents disposed of	(466)
	15,791

(ii) *Disposal of Artist Empire Jewellery Enterprise Co. Ltd. ("AEL")*

On 29 August 2014, the Group entered into a sale and disposal agreement with an independent third party and pursuant to which, the Group disposed of the entire equity interests in AEL for a consideration of HK$100,000. AEL is a private limited liability company incorporated in Hong Kong which was a former wholly owned subsidiary of the Company. 寶華豐（深圳）貿易有限公司 (Bo-Wealth (Shenzhen) Trading Co. Ltd., "BWL") is a private limited liability company incorporated in the PRC which is a wholly owned subsidiary of AEL. AEL and BWL are collectively referred to as the AEL Group. The consideration was recorded as a receivable as at 31 March 2015.

Consideration transferred

	HK$'000
Consideration recorded as receivable *(Note 22)*	100

The net assets of the AEL Group disposed of during the year were as follows:

	HK$'000
Net assets disposed of:	
– Property, plant and equipment	119
– Trade and other receivables	264
– Amounts due from group companies	168,569
– Cash and cash equivalents	1,851
– Trade and other payables	(1,286)
– Amounts due to group companies	(249,746)
– Deferred tax liabilities	(46)
Total identifiable net liabilities disposed of	(80,275)
Cumulative exchange differences in respect of the net liabilities of AEL Group reclassified from equity to profit or loss upon the disposals of AEL Group	105
Waiver of amounts due from/to AEL Group – net	81,177
Loss on disposals of subsidiaries	(907)
Total consideration recorded as receivable *(Note 22)*	100

Net cash outflow arising on the disposals of the AEL Group

	HK$'000
Cash consideration	–
Less: Cash and cash equivalents disposed of	(1,851)
	(1,851)

b. Disposal of a subsidiary during the year ended 31 March 2016

On 18 March 2016, the Group entered into a sale and disposal agreement with an independent third party and pursuant to which, the Group disposed of the entire equity interests in Guangzhou Artini Strategic Sales Co., Ltd. ("**GAL**") for a consideration of HK$1,400,000. GAL is a private limited liability company incorporated in the PRC which was a former wholly owned subsidiary of the Company. The consideration was recorded as a receivable as at 31 March 2016.

Consideration transferred

	HK$'000
Consideration recorded as receivable *(Note 22)*	1,400

The net assets of GAL disposed of during the year were as follows:

	HK$'000
Net assets disposed of:	
– Property, plant and equipment	98
– Inventories	806
– Trade and other receivables	1,294
– Amounts due from group companies	81,953
– Cash and cash equivalents	97
– Trade and other payables	(875)
– Amounts due to group companies	(93,259)
Total identifiable net liabilities disposed of	(9,886)
Cumulative exchange differences in respect of the net liabilities of GAL reclassified from equity to profit or loss upon the disposals of GAL	(37)
Waiver of amounts due from/to GAL – net	11,306
Gain on disposals of a subsidiary	17
Total consideration recorded as receivable *(Note 22)*	1,400

Net cash outflow arising on the disposal of GAL

	HK$'000
Cash consideration	–
Less: Cash and cash equivalents disposed of	(97)
	(97)

31. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

a. Balances with related parties

Saved as disclosed in these consolidated financial statements, in the opinion of the Directors, the Group did not have any significant balances with the related parties as at the end of the reporting period.

b. Key management personnel remuneration

During the years ended 31 March 2015 and 31 March 2016, the Group had remuneration paid to the Directors and other members of key management of the Group as follows:

	2016	**2015**
	HK$'000	*HK$'000*
Salaries and other benefits	4,920	6,061
Retirement benefit scheme contributions	65	57
Share-based payments	4,427	–
	9,412	6,118

The remuneration of the key management personnel is determined with reference to the performance of individuals and market trends.

32. PLEDGE OF ASSETS

At 31 March 2016, a motor vehicle with a carrying value of approximately HK$562,000 (2015: Nil) was pledged to the financial institution to secure the obligations under finance lease to the Group.

33. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of HK$603,000.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 *HK$'000*	2015 *HK$'000*
NON-CURRENT ASSET			
Interests in subsidiaries	*a*	58,792	143,816
CURRENT ASSETS			
Other receivables		–	8,857
Cash and bank balances		1,573	48,374
		1,573	57,231
CURRENT LIABILITIES			
Amounts due to subsidiaries		17,845	17,202
Other payables		2,585	700
		20,430	17,902
NET CURRENT (LIABILITIES) ASSETS		(18,857)	39,329
NET ASSETS		39,935	183,145
CAPITAL AND RESERVES			
Share capital		25,698	24,746
Reserves	*b*	14,237	158,399
TOTAL EQUITY		39,935	183,145

Notes:

a. **Interests in subsidiaries**

	2016	2015
	HK$'000	*HK$'000*
Unlisted shares, at cost	153,424	153,424
Fair value of share options granted to employees of subsidiaries	5,189	5,189
Amounts due from subsidiaries	339,780	372,701
Less: Impairments	(439,601)	(387,498)
	58,792	143,816

During the years ended 31 March 2016 and 31 March 2015, a number of the Company's subsidiaries had sustained losses and had net liabilities as at 31 March 2016 and 31 March 2015. The Company assessed the Company's investments in subsidiaries and the recoverable amounts of the amounts due from subsidiaries. The estimated recoverable amounts were determined based on the estimated future cash flows to be generated from these subsidiaries.

Movements of the impairments during the two years are as follows:

	2016	2015
	HK$'000	*HK$'000*
As at 1 April	387,498	669,426
Allowances	55,637	61,792
Disposals of subsidiaries	(3,289)	(325,319)
Reversal of provision for impairments	(245)	(18,401)
As at 31 March	439,601	387,498

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment but are not expected to be recovered within one year from the end of the reporting period.

b. Reserves of the Company

	Share premium	Contributed surplus	Share-based payment capital reserve	Accumulated losses	Total
	HK$'000	*HK$'000* *(note below)*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2014	549,974	133,424	14,718	(768,051)	(69,935)
Loss and total comprehensive expense for the year	–	–	–	(53,699)	(53,699)
Capital Reduction *(Note 26(a))*	–	–	–	117,545	117,545
Issuance of shares in respect of Open Offer *(Note 26(b))*	167,039	–	–	–	167,039
Transaction costs attributable to the issue of shares *(Note 26(b))*	(2,551)	–	–	–	(2,551)
Lapsed of share options *(Note 28)*	–	–	(1,146)	1,146	–
As at 31 March 2015	714,462	133,424	13,572	(703,059)	158,399
Loss and total comprehensive expense for the year	–	–	–	(169,331)	(169,331)
Issuance of shares upon Placing *(Note 26(c))*	9,044	–	–	–	9,044
Transaction costs attributable to the issue of shares *(Note 26(c))*	(440)	–	–	–	(440)
Recognition of share options *(Note 28)*	–	–	16,565	–	16,565
As at 31 March 2016	723,066	133,424	30,137	(872,390)	14,237

Note: The contributed surplus of the Company represented the difference between the underlying net tangible assets of the subsidiaries acquired by the Company and the nominal value of the share capital issued by the Company at the time of the reorganisation of the Group in 2008.

35. EVENT AFTER REPORTING PERIOD

Acquisition of the entire equity interests of Primeview Technology Limited

Pursuant to the Company's announcements dated 13 April 2016, Artini Sales Company Limited ("**ACL**"), a wholly owned subsidiary of the Company, entered into the sale and purchase agreement with Stand Charm Limited ("**Stand Charm**") and Dragon Max Enterprises Limited ("**Dragon Max**") (collective referred to as the "**Vendors**") in relation to the proposed acquisition of the entire equity interest in Primeview Technology Limited (the "**Target Company**", a company incorporated in Hong Kong with limited liability and is 94% owned by Stand Charm and 6% owned by Dragon Max, respectively) for an aggregate consideration of HK$160,000,000, of which will be satisfied in cash from the net proceeds of the subscription by issuing a total of 2,440,000,000 new shares of the Company (the "**Subscription Shares(s)**") at the subscription price of HK$0.074 per Subscription Share to Walifax Investments Limited (the "**Subscriber**", a company incorporated in the British Virgin Islands and is beneficially wholly-owned by Mr. Tse Hoi Chau, the executive Director, chairman and chief executive officer of the Company). The principal business of the Target Company is engaged in developing and selling software related applications which can be purchased by businesses to facilitate e-commerce of their products and services.

Further details of the above transactions are set out in the Company's announcements dated 13 April 2016, 4 May 2016, 25 May 2016 and 15 June 2016.

36. SUBSIDIARIES

The following list contains the particular of the Company's subsidiaries, all are private limited liability company and the class of shares held is ordinary unless otherwise stated:

Name of company	Place of incorporation/ establishment	Place of operation	Percentage of equity attributable to the Company		Proportion of voting power held by the Company		Issued and fully paid-up/ registered capital	Principal activities
			2016	2015	2016	2015		
			%	%	%	%		
Directly held by the Company								
Artist Star International Development Limited	British Virgin Islands ("BVI")	Hong Kong	100	100	100	100	1,000 ordinary shares of US$1 each	Investment holding
Indirectly held by the Company								
Alfreda Int'l Co. Ltd	Macao	Macao	100	100	100	100	MOP50,000	Inactive
Artini International Company Limited	Hong Kong	Hong Kong	100	100	100	100	300,000 ordinary shares of HK$1 each	Retailing of fashion accessories
Artini Macao Commercial Offshore Limited (Formerly known as Arts Empire Macao Commercial Offshore Limited)	Macao	Macao	100	100	100	100	MOP200,000	Trading of fashion accessories and related raw materials

Name of company	Place of incorporation/ establishment	Place of operation	Percentage of equity attributable to the Company 2016 %	2015 %	Proportion of voting power held by the Company 2016 %	2015 %	Issued and fully paid-up/ registered capital	Principal activities
Artini Sales Company Limited	Hong Kong	Hong Kong	100	100	100	100	10,000 ordinary shares of HK$1 each	Trading of fashion accessories
Artist Empire Jewellery Mfy. Limited	Hong Kong	Hong Kong	100	100	100	100	100 ordinary shares of HK$1 each	Inactive
Artist Empire Silver Jewellery Mfy. Limited	Hong Kong	Hong Kong	100	100	100	100	10,000 ordinary shares of HK$1 each	Inactive
China Regent Investments Limited	Hong Kong	Hong Kong	100	100	100	100	1 ordinary share of HK$1 each	Inactive
Gain Trade Enterprise Limited	Hong Kong	Hong Kong	100	100	100	100	100 ordinary shares of HK$1 each	Provision of management services
Gentleman Investments Limited	Hong Kong	Hong Kong	100	100	100	100	10,000 ordinary shares of HK$1 each	Inactive
Guangzhou Artini Strategic Sales Company Limited *(Notes a and b)*	PRC	PRC	–	100	–	100	HK$4,010,000/ HK$20,000,000	Retailing of fashion accessories
Ho Easy Limited	BVI	Hong Kong	100	100	100	100	1 ordinary share of US$1 each	Investment holding
Instar International Company Limited	BVI	Hong Kong	100	100	100	100	100 ordinary shares of US$1 each	Investment holding
JCM Holding Company	BVI	Hong Kong	100	100	100	100	500 ordinary shares of US$1 each	Investment holding
Keon Company Limited	Hong Kong	Hong Kong	100	100	100	100	10,000 ordinary shares of HK$1 each	Provision of logistics services
King Erich International Development Limited	BVI	Hong Kong	100	100	100	100	300 ordinary shares of US$1 each	Investment holding
King Land Limited	Hong Kong	Hong Kong	100	100	100	100	100 ordinary shares of HK$1 each	Trading of fashion accessories and related raw materials

Name of company	Place of incorporation/ establishment	Place of operation	Percentage of equity attributable to the Company 2016 %	2015 %	Proportion of voting power held by the Company 2016 %	2015 %	Issued and fully paid-up/ registered capital	Principal activities
Riccardo International Trading Limited	BVI	Hong Kong	100	100	100	100	700 ordinary shares of US$1 each	Investment holding
Shenzhen Artini Hongli Enterprises Co., Ltd. *(Note b)*	PRC	PRC	100	100	100	100	HK$200,000,000	Retailing of fashion accessories

Notes:

a. During the year ended 31 March 2016, the Group disposed of this entity.

b. These entities are wholly owned foreign enterprises established in the PRC. The English translation of the Company names is for reference only. The official names of these companies are in Chinese.

None of the subsidiaries had any debt securities outstanding as at the end of the year or at any time during the year.

3. STATEMENT OF INDEBTEDNESS

Indebtedness

At the close of business on 30 June 2016, being the latest practicable date for the purpose of determining the indebtedness of the Enlarged Group prior to the printing of this Circular. We have obligation under finance lease payable of approximately HK$513,000 which was secured with the Enlarged Group's property, plant and equipment with the carrying value of approximately HK$532,000. Saved as disclosed above, apart from intra-group liabilities, the Enlarged Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities. Our Directors confirm that, as at the Latest Practicable Date, there has been no material change in indebtedness of the Enlarged Group.

Contingent liabilities and guarantees

At the close of business on 30 June 2016, the Enlarged Group did not have any outstanding loan capital or bank overdrafts, or hold any liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or acceptance credits, or guarantees, or other contingent liabilities. Our Directors confirm that, as at the Latest Practicable Date, there has been no material change in the contingent liabilities and guaranteed of the Enlarged Group.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the effect of the Acquisition, the net proceeds from the Subscription and the internal resources and cash generated from the business operations of the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this Circular, in the absence of any unforeseeable circumstances.

The following is the text of a report prepared by the reporting accountants Dominic K.F. Chan & Co. on the audited financial information of the Target Company for the sole purpose of inclusion in this circular.

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 18 June 2013 (date of incorporation) to 31 December 2013 *HK$*	Year ended 31 December 2014 *HK$*	Year ended 31 December 2015 *HK$*	Three months ended 31 March 2015 *HK$* (unaudited)	Three months ended 31 March 2016 *HK$*
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		(14,454)	(136,568)	(791,657)	(107,422)	(505,996)
(LOSS)/PROFIT BEFORE TAX	5	(10,526)	(51,594)	9,658,735	(107,422)	1,107,808
Income tax	6	–	–	(1,563,441)	–	(182,788)
(LOSS)/PROFIT FOR THE YEAR/PERIOD		(10,526)	(51,594)	8,095,294	(107,422)	925,020
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD, NET OF TAX		(10,526)	(51,594)	8,095,294	(107,422)	925,020
(LOSS)/PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE TARGET COMPANY		(10,526)	(51,594)	8,095,294	(107,422)	925,020
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO THE SHAREHOLDERS OF THE TARGET COMPANY		(10,526)	(51,594)	8,095,294	(107,422)	925,020

STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December 2013	At 31 December 2014	At 31 December 2015	At 31 March 2016
		HK$	HK$	HK$	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		61,257	548,099	11,568,554	12,924,765
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		61,783	600,219	3,365,380	3,908,819
NET CURRENT (LIABILITIES)/ASSETS		(526)	(52,120)	8,203,174	9,015,946
Net (liabilities)/assets		(526)	(52,120)	8,203,174	9,128,194
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE TARGET COMPANY					
Share capital	15	10,000	10,000	170,000	170,000
(Accumulated losses)/Retained profits		(10,526)	(62,120)	8,033,174	8,958,194
(Capital deficiency)/Total equity		(526)	(52,120)	8,203,174	9,128,194

STATEMENTS OF CHANGES IN EQUITY

	Attributable to the shareholders of the Target Company		
	Share capital	**(Accumulated losses)/ 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	2014	2015	2015	2016
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
CASH FLOWS FROM OPERATING ACTIVITIES					
(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
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	–	–	–	–	(118,879)
Net cash flows from investing activities	–	–	–	–	(118,879)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares	10,000	–	160,000	–	–
Net cash flows from financing activities	10,000	–	–	–	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	61,257	486,842	486,795	(236,518)	5,212,089
Cash and bank balances at beginning of period/year	–	61,257	548,099	548,099	1,034,894
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	61,257	548,099	1,034,894	311,581	6,246,983
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
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	*Financial Instruments*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 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%

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	Year ended 31 December		Three months ended 31 March	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Sale of goods	10,906	1,162,005	1,147,923	–	–
Software-related application developing service	–	–	11,147,260	–	2,328,309
	10,906	1,162,005	12,295,183	–	2,328,309

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	Year ended 31 December		Three months ended 31 March	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Staff costs (including directors' remuneration) Wages and salaries	–	130,000	658,485	114,281	376,715
Depreciation	–	–	–	–	6,631

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	Year ended 31 December		Three months ended 31 March	
	2013	**2014**	**2015**	**2015**	**2016**
	HK$	*HK$*	*HK$*	*HK$* (unaudited)	*HK$*
Current tax					
Provision for the year	–	–	1,563,441	–	182,788

(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	–
	–	–	1,563,441	–	182,788

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
At 31 March 2016	118,879
Accumulated depreciation:	
At 18 June 2013, 31 December 2013, 2014, 2015 and 1 January 2016	–
Change for the period	6,631
At 31 March 2016	6,631
Net book value:	
At 31 December 2013, 2014 and 2015	–
At 31 March 2016	112,248

10. TRADE RECEIVABLES

	31 December			31 March
	2013	2014	2015	2016
	HK$	*HK$*	*HK$*	*HK$*
Trade receivables	–	–	10,533,660	6,652,610
Impairment	–	–	–	–
	–	–	10,533,660	6,652,610

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	2014	2015	2016
	HK$	*HK$*	*HK$*	*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
	–	–	10,533,660	6,652,610

11. CASH AND BANK BALANCES

	31 December 2013	2014	2015	31 March 2016
	HK$	*HK$*	*HK$*	*HK$*
Bank balances	61,257	548,099	1,034,894	6,246,983

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 2013	2014	2015	31 March 2016
	HK$	*HK$*	*HK$*	*HK$*
Within 2 months	6,978	411,449	183,917	214,853

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

13. ACCRUALS AND OTHER PAYABLES

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

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	2014	2015	2016
	HK$	*HK$*	*HK$*	*HK$*
Issued and fully paid:				
10,000/10,000/170,000 ordinary shares	10,000	10,000	170,000	170,000

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
	–	–	394,848	332,504

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

	On demand	**Total**
	HK$	*HK$*
Trade payables	6,978	6,978
Accruals and other payables	51,000	51,000
Amount due to directors	3,805	3,805
	61,783	61,783

Year ended 31 December 2014

	On demand	**Total**
	HK$	*HK$*
Trade payables	411,449	411,449
Accruals and other payables	94,965	94,965
Amount due to directors	93,805	93,805
	600,219	600,219

Year ended 31 December 2015

	On demand	**Total**
	HK$	*HK$*
Trade payables	183,917	183,917
Accruals and other payables	1,524,217	1,524,217
Amount due to directors	93,805	93,805
	1,801,939	1,801,939

Year ended 31 March 2016

	On demand	Total
	HK$	*HK$*
Trade payables	214,853	214,853
Accruals and other payables	1,853,932	1,853,932
Amount due to directors	93,805	93,805
	2,162,590	2,162,590

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

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

A. Introduction

The unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "**Statement**") set out in section B below has been prepared by the directors in accordance with paragraph 14.67 of the Listing Rules, for illustrative purpose only, to provide information about how the proposed Acquisition might have affected the financial position of the Group as if the Acquisition had been completed on 31 March 2016.

The Statement has been prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2016 as set out in the Company's annual result announcement 2016 dated 28 June 2016 in respect of the Group's audited results for the year ended 31 March 2016, after making certain pro forma adjustments that are (i) directly attributable to the Acquisition and (ii) factually supportable, as further described in the accompanying notes.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 March 2016. Furthermore, the Statement does not purport to predict the Enlarged Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group and each members of the Target Company as set out in Appendices I to II to this Circular, respectively, the Company's announcement dated 13 April 2016 and other financial information included elsewhere in this Circular.

B. Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group

	The Group as at 31 March 2016	The Target Company	Pro Forma Adjustments			Pro Forma Combined: the Enlarged Group
	(HK$'000) (audited)	*(HK$'000)*	*(HK$'000)*			*(HK$'000)*
	Note 1	*Note 2*	*Note 3*	*Notes 4, 5*	*Note 6*	
NON-CURRENT ASSETS						
Property, plant and equipment	885	112	–	–	–	997
Deposit paid	55,042	–	–	–	–	55,042
Intangible assets	–	–	–	160	–	160
Goodwill	–	–	–	150,738	–	150,738
Total non-current assets	55,927	112	–	150,898	–	206,937
CURRENT ASSETS						
Inventories	428	–	–	–	–	428
Trade and other receivables	39,503	6,678	–	–	–	46,181
Cash and cash equivalent	10,858	6,247	178,000	(160,000)	(5,053)	30,052
Total current assets	50,789	12,925	178,000	(160,000)	(5,053)	76,661
CURRENT LIABILITIES						
Trade and other payables	48,745	2,163	–	–	–	50,908
Current tax payables	101	1,746	–	–	–	1,847
Obligations under finance lease current portion	160	–	–	–	–	160
Total current liabilities	49,006	3,909	–	–	–	52,915
NET CURRENT ASSETS	1,783	9,016	178,000	(160,000)	(5,053)	23,746
TOTAL ASSETS LESS CURRENT LIABILITIES	57,710	9,128	178,000	(9,102)	(5,053)	230,683
NON-CURRENT LIABILITIES						
Obligations under finance lease non-current portion	391	–	–	–	–	391
Deferred tax liabilities	–	–	–	26	–	26
Total non-current liabilities	391	–	–	26	–	417
Net assets	57,319	9,128	178,000	(9,128)	(5,053)	230,266

Notes:

1. The carrying amounts of assets and liabilities of the Group as at 31 March 2016 are extracted from the audited consolidated statement of financial position as at 31 March 2016 set out in the 2016 annual results announcement of the Company dated 28 June 2016.

2. The assets and liabilities of the Target Company are extracted from the statement of financial position of the Target Company as at 31 March 2016 as set out in the Accountant's Report set forth in Appendix II to this circular.

3. This adjustment represents the estimated net proceeds from subscription.

4. Upon the Completion of the Acquisition, the identifiable assets and liabilities of the Target Company will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values as required by the acquisition method in accordance with Hong Kong Financial Reporting Standard ("**HKFRS**") 3 (Revised) "Business Combinations".

   For the purpose of the unaudited pro forma financial information of the Enlarged Group and for illustrative purpose only, the allocation of the purchase price is determined based on the carrying amount of the Target Company's identifiable assets and liabilities as at 31 March 2016 and an recognition of intangible assets, of HK$160,000. The effect on deferred tax liabilities arising from the fair value adjustment was HK$26,400.

   The fair value of intangible assets, are appraised by an independent valuer with recognised professional qualifications and relevant experience. The fair value of the intangible assets is appraised using the income approach, the Multi-period Excess Earnings Method.

   In the opinion of the Directors, the fair value of the assets and liabilities of the Target Company attributable to the Group is subject to changes upon the date of completion as the fair value of the identifiable assets and liabilities will be assessed at the date of completion. Since this Unaudited Pro Forma Financial Information is prepared solely for illustration purpose, the Directors assumed that the provisional fair value of the identifiable assets and liabilities to be the carrying amounts of the assets and liabilities of the Target Company as at 31 March 2016 with adjustments with reference to the fair value of the intangible asset as at 31 March 2016, and accordingly, the possible changes to the fair value of assets and liabilities of the Target Company being attributable to the Group may not be fully reflected in this Unaudited Pro Forma Financial Information.

5. Pursuant to the Acquisition Agreement, the Consideration for the Acquisition of the Sale Shares which amounted to HK$160,000,000 would be satisfied by the Company to the Vendors at Completion in cash.

Upon Completion, the Target Group would become a wholly-owned subsidiary of the Company and would be accounted for in the consolidated financial statements of the Group.

The difference between the consideration payable and the fair value of the Target Company's net identifiable assets attributable to shareholders of the Target Group will be accounted for as goodwill. Such goodwill will be calculated as below:

	HK$'000
Consideration payable for the Sale Shares:	
Cash	160,000[a]
	160,000
Net assets attributable to shareholders of Target Company upon completion of the Acquisition	9,128
Fair value adjustment on the Target Company	134
Goodwill arising from acquisition of 100% equity interest in the Target Company	150,738[b]

(a) The consideration for the Acquisition under the Acquisition Agreement is HK$160 million in total. The consideration is payable in three instalments as follows:

(i) HK$100 million within 14 days of completion of subscription;

(ii) HK$30 million within 14 days after completion of and an agreement being reached between the Purchaser and the Vendors on the Target Company's June 2016 Accounts and provided that the profit after tax attributable to shareholders based on such unaudited management accounts is not less than HK$5 million; and

(iii) HK$30 million with 14 days after completion of and agreement being reached between the Purchaser and the Vendors on the Target Company's December 2016 Accounts and provided that the profit after tax attributable to shareholders is not less than HK$11 million.

For the purpose of this Unaudited Pro Forma Financial Information, the consideration for the Acquisition is assumed to be HK$160 million, as if the terms discussed in (ii) and (iii) above are satisfied.

(b) For the purpose of the unaudited pro forma financial information, the Directors have assessed whether there is any impairment in respect of the goodwill expected to arise from the Acquisition following the principles set out in Hong Kong Accounting Standard 36 "Impairment of Assets". Based on the Directors' assessment, the Directors consider that there is no impairment indicator on the goodwill with assumed values set out above.

6. This adjustment represents the acquisition-related costs, such as professional fees for legal services, transfer taxes and other transaction costs, amount to approximately HK$5,053,000, are accounted as expense in the period. This adjustment will not have any continuing effect on the consolidated statement of cash flows of the Group after Completion.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report from the reporting accountants, Dominic K. F. Chan & Co., Certified Public Accountants, on the unaudited pro forma financial information of the Enlarged Group, for inclusion in this circular.

陳錦福會計師事務所
Dominic K.F. Chan & Co.
Certified Public Accountants (Practising)

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

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Artini China Co. Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 March 2016 and related notes as set out in section headed "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix III of the circular issued by the Company dated 11 August 2016 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are also described in section headed "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix III of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition (the "**Acquisition**") of the 100% equity interest in Primeview Technology Limited (the "**Target Company**") on the Group's financial position as at 31 March 2016 as if the transaction was completed on 31 March 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's annual results announcement for the year ended 31 March 2016.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 31 March 2016 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

– The related pro forma adjustments give appropriate effect to those criteria; and

– The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

a. the pro forma financial information has been properly compiled on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Dominic K. F. Chan & Co.
Certified Public Accountants
Hong Kong

11 August 2016

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Takeovers Code and the Listing Rules for the purpose of giving information with regard to the Group, the Acquisition, the Subscription and the Whitewash Wavier.

This circular, for which the Directors collectively and individually accept full responsibility, including particulars given in compliance with the 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 respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

All the Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Subscriber) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the sole director of the Subscriber) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to the Subscriber contained in this circular has been supplied by the sole director of the Subscriber. The sole director of the Subscriber accepts full responsibility for the accuracy of the information relating to the Subscriber contained in this circular and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed by him in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

2. MARKET PRICE

The table below sets out the closing price of the Shares on the Stock Exchange (i) at the end of each of the calendar months during the Relevant Period; (ii) on 12 April 2016 (being the Last Trading Day); and (iii) on the Latest Practicable Date.

Date	Closing price per Share HK$
30 October 2015	0.154
30 November 2015	0.145
31 December 2015	0.135
29 January 2016	0.091
29 February 2016	0.096
31 March 2016	0.098
12 April 2016 (being the Last Trading Day)	0.098
29 April 2016	0.147
31 May 2016	0.145
30 June 2016	0.135
29 July 2016	0.136
8 August 2016 (being the Latest Practicable Date)	0.140

The lowest and highest closing market prices recorded on the Stock Exchange during the Relevant Period were HK$0.090 on 11 February 2016 and HK$0.178 on 23 October 2015, respectively.

3. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE SECURITIES

(a) Share capital

Set out below are the authorized and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the completion of the Subscription assuming no Outstanding Options have been exercised:

(i) As at the Latest Practicable Date

Authorised		*HK$*
30,000,000,000	Shares	300,000,000.00
Issued and fully paid or credited as fully paid		*HK$*
2,569,840,644	Shares as at the Latest Practicable Date	25,698,406.44

*(ii) **Immediately after completion of the Subscription assuming no Outstanding Options have been exercised***

Authorised		*HK$*
30,000,000,000	Shares	300,000,000.00

Issued and fully paid or credited as fully paid		*HK$*
2,569,840,644	Shares as at the Latest Practicable Date	25,698,406.44
2,440,000,000	Shares allotment and issue of pursuant to the Subscription	24,400,000.00
5,009,840,644		50,098,406.44

All the issued Shares rank pari passu with each other in all respects including the rights in respect of capital, dividend and voting. The Shares are listed on and traded on the Main Board of the Stock Exchange. No Shares are listed on or dealt in, nor is any listing of or permission to deal in the Shares being, or proposed to be, sought on any other stock exchange.

No share had been issued since 31 March 2016 (being the date on which the latest audited financial statements of the Company were made up) and up to the Latest Practicable Date.

(b) Share options

As the Latest Practicable Date, the Company had 378,042,600 outstanding share options granted under the Share Option Scheme entitling holders to subscribe a total of 378,042,600 Shares. Details of which are as follows:

Categories of participants	Date of grant	Validity period	Outstanding as at the Latest Practicable Date	Exercise price of options *(HK$)*
Directors				
Tse Hoi Chau	28.03.2014	28.03.2014- 27.03.2019	6,671,400	0.4709
	09.07.2015	09.07.2015- 08.07.2020	20,000,000	0.1470
Lin Shao Hua	28.03.2014	28.03.2014- 27.03.2019	6,671,400	0.4709
	09.07.2015	09.07.2015- 08.07.2020	20,000,000	0.1470
Employees				
In aggregate	28.03.2014	28.03.2014- 27.03.2019	6,671,400	0.4709
	09.07.2015	09.07.2015- 08.07.2020	1,600,000	0.1470
	27.11.2015	27.11.2015-26.11.2020	32,000,000	0.1488
Other participants				
In aggregate	28.03.2014	28.03.2014- 27.03.2019	40,028,400	0.4709
	09.07.2015	09.07.2015- 08.07.2020	20,200,000	0.1470
	27.11.2015	27.11.2015- 26.11.2020	224,200,000	0.1488
			378,042,600	

(c) Convertible securities

As at the Latest Practicable Date, the Company have no warrants or convertible securities in issue.

4. DISCLOSURE OF INTEREST

(a) As at the Latest Practicable Date, the interests and short positions of each Director and chief executive 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) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

Name	Capacity	Number of Shares held *(Note 1)*	Number of shares subject to Outstanding Options granted	Approximate percentage of shareholding
Mr. Tse	Interest in controlled corporation	1,085,267,988(L) *(Note 2)*	–	42.23%
	Beneficial owner	14,824,000(L)	26,671,400 *(Note 3)*	0.58%
Mr. Lin Shao Hua	Beneficial owner	–	26,671,400 *(Note 3)*	–

Notes:

1. The letter "L" represents the Director's interests in the shares and underlying shares of the Company.

2. As at the Latest Practicable Date, these Shares are held by Walifax Investments Limited, which is wholly and beneficially owned by Mr. Tse.

3. These options were granted by the Company on 28 March 2014 and 9 July 2015 under the Share Option Scheme.

Save as disclosed above, so far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, none of Directors or chief executive of the Company had or was deemed to have any interest or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be 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 they have taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange, nor did they have any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

5. SUBSTANTIAL SHAREHOLDER'S INTERESTS

As at the Latest Practicable Date, the following persons and entities, other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Number of ordinary Shares *(Note 1)*	Capacity	Approximate percentage of interest
The Subscriber *(Note 2)*	1,085,267,988(L)	Beneficial owner	42.23

Notes:

1. The letter "L" represents the entity's interests in the Shares.

2. Walifax Investments Limited is wholly and beneficially owned by Mr. Tse, its sole director who is also an executive Director, the chairman and the chief executive officer of the Company.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person or entity other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were as recorded in the register required to be kept under section 336 of the SFO, nor did they have any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

6. SHAREHOLDINGS OF AND DEALINGS IN THE SECURITIES OF THE COMPANY AND THE SUBSCRIBER AND PERSONS ACTING IN CONCERT WITH IT

As at the Latest Practicable Date:

(a) the Company did not have any interest in, hold, control or have direction over any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in any body corporate member of the Concert Group during the Relevant Period and had not dealt for value in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of any body corporate member of the Concert Group during the Relevant Period;

(b) except as disclosed under the section headed "2. Information on the Subscriber and Mr. Tse" in the "Letter from the Board", none of the Directors or chief executive of the Company held, controlled or had direction over any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in any body corporate member of the Concert Group and none of the Directors or chief executive of the Company had dealt for value in any such securities of any body corporate member of the Concert Group during the Relevant Period;

(c) no Shares, convertible securities, warrants, options, derivatives in respect of securities in the Company and any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company were owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or by an advisor to the Company (as specified in class (2) of the definition of "associate" under the Takeovers Code but excluding exempt principal traders), and none of them has dealt for value in any such securities of the Company during the Relevant Period;

(d) save for the Subscription Agreement, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code and save for the Subscription, and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

(e) no Shares, warrants, options, derivatives in respect of securities in the Company and any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company was managed on a discretionary basis by any fund manager (other than exempt fund managers as defined in the Takeovers Code) connected with the Company and none of them had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

(f) there was no benefit to be given to any Directors as compensation for loss of office or otherwise in connection with the Acquisition Agreement and the transactions contemplated thereunder, the Subscription Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver;

(g) none of the Directors has entered into any agreement or arrangement with any other persons which is conditional on or dependent upon the outcome of the Acquisition Agreement and the transactions contemplated thereunder, the Subscription Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver or otherwise in connection with the same;

(h) save for the Subscription Agreement, there was no material contract entered into by any of the members of the Concert Group in which any Director had a material personal interest;

(i) save for the respective shareholding in the Company of Mr. Tse (by himself and via the Subscriber) and Mr. Liu Shao Hua and their respective holding of share options as referred to in this appendix above, none of the Directors and their respective associates owned or controlled any Shares, convertible securities, warrants, options, derivative, in respect of securities in the Company and any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Both Mr. Tse (and the Subscriber) and Mr. Lin Shao Hua will abstain from voting on the resolutions with respect to the Subscription and the Whitewash Waiver, and save for the Subscription, none of them has dealt for value in any such securities of the Company during the Relevant Period; and

(j) neither the Company nor any of the Directors has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

As at the Latest Practicable Date, save for the Subscription and as disclosed under the paragraph head "V. EFFECT OF THE SUBSCRIPTION" in the Letter from the Board, and the paragraphs headed "DISCLOSURE OF INTEREST" and "SUBSTANTIAL SHAREHOLDER'S INTERESTS" in this appendix:

(a) no Director held, controlled or had direction over any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(b) no member of the Concert Group and no directors of the Subscriber held, controlled or had direction over any Outstanding Options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and none of them has dealt for value in any such securities of the Company during the Relevant Period;

(c) no member of the Concert Group has received any irrevocable commitment to vote for or against the Acquisition Agreement and the transactions contemplated thereunder, the Subscription Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver at the SGM;

(d) save for the Subscription Agreement, no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and any member of the Concert Group and save for the Subscription, no person who had any arrangements of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any member of the Concert Group had dealt for value in the Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

(e) no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company had been borrowed or lent by any member of the Concert Group and none of them had dealt for value in the same during the Relevant Period;

(f) save for Mr. Tse being the sole director and beneficial owner of the Subscriber, no agreement, arrangement or understanding (including any compensation arrangement) exists between (i) any of the members of the Concert Group; and (ii) any Director, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Acquisition Agreement and the transactions contemplated thereunder, the Subscription Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver; and

(g) none of the Directors or chief executive of the Company held, controlled or had any direction over any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, and none of them had dealt for value in any such securities during the Relevant Period;

As at the Latest Practicable Date, no member of the Concert Group had any intention to transfer, charge or pledge any of the Shares to be acquired by the Subscriber pursuant to the Subscription to any other persons, nor had any member of the Concert Group entered into any such agreement, arrangement, undertaking or understanding.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, (a) none of the Directors had entered or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation) and (b) none of the Directors had entered into a service contract with the Company or any of its subsidiaries or associated companies (as defined in the Takeovers Code), which: (i) (including both continuous and fixed term contracts) have been entered into or amended within 6 months before the date of the Announcement; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

8. MATERIAL CONTRACTS

The following contracts, not being contracts into the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, have been entered into by a member of the Group after the date falling two years before the date of the Announcement up to and including the Latest Practicable Date that are or may be material:

(a) the Acquisition Agreement;

(b) the Subscription Agreement;

(c) the sale and purchase agreement dated 1 March 2016 between Shenzhen Artini as purchaser and Henan Dazhen as vendor in relation to the acquisition by Shenzhen Artini from Henan Dazhen the property located at Room 563, 5/F., Dehua Building, Dehua Street West and Yuanling Street North, Erqi District, Zhengzhou City, PRC, which is currently being constructed, for a consideration of RMB4,000,000 (equivalent to approximately HK$4,760,000);

(d) the sale and purchase agreement dated 1 March 2016 between Shenzhen Artini as purchaser and Henan Dazhen as vendor in relation to the acquisition by Shenzhen Artini from Henan Dazhen the property located at Room 564, 5/F., Dehua Building, Dehua Street West and Yuanling Street North, Erqi District, Zhengzhou City, PRC, which is currently being constructed, for a consideration of RMB5,000,000 (equivalent to approximately HK$5,950,000);

(e) the sale and purchase agreement dated 1 March 2016 between Shenzhen Artini as purchaser and Henan Dazhen as vendor in relation to the acquisition by Shenzhen Artini from Henan Dazhen the property located at Room 565, 5/F., Dehua Building, Dehua Street West and Yuanling Street North, Erqi District, Zhengzhou City, PRC, which is currently being constructed, for a consideration of RMB5,000,000 (equivalent to approximately HK$5,950,000);

(f) the sale and purchase agreement dated 1 March 2016 between Shenzhen Artini as purchaser and Henan Dazhen as vendor in relation to the acquisition by Shenzhen Artini from Henan Dazhen the property located at RRoom 566, 5/F., Dehua Building, Dehua Street West and Yuanling Street North, Erqi District, Zhengzhou City, PRC, which is currently being constructed, for a consideration of RMB6,000,000 (equivalent to approximately HK$7,140,000);

(g) the placing agreement dated 27 August 2015 between the Company and Quam Securities Company Limited for the placing of a maximum of 95,200,000 new Shares at a price of HK$0.105 per Share;

(h) the provisional agreement for sale and purchase dated 14 October 2014 and entered into among Gentleman Investments Limited, a wholly-owned subsidiary of the Company as vendor, and two purchasers, Mr. Dung Kwok Yee and Mr. Fung Chi Wing, in relation to the disposal of the Unit B1 on 1st Floor, Kaiser Estate, No. 41 Man Yue Street, Kowloon, Hong Kong at a consideration of HK$20,000,000;

(i) the provisional agreement for sale and purchase dated 14 October 2014 and entered into between Gain Trade Enterprise Limited, a wholly-owned subsidiary of the Company, as vendor and Ms. Lee Yuk Hing as purchaser, in relation to the disposal of the Unit B on 2nd Floor, Kaiser Estate, No. 41 Man Yue Street, Kowloon, Hong Kong at a consideration of HK$20,000,000;

(j) the provisional agreement for sale and purchase dated 14 October 2014 and entered into among Artist Empire Jewellery Mfy. Limited, a wholly-owned subsidiary of the Company, as vendor, and two purchasers, Mr. Dung Kwok Yee and Mr. Fung Chi Wing, in relation to the disposal of the Car Parking Space No. 26 on Ground Floor, Kaiser Estate, Nos. 37-45 Man Yue Street, Kowloon, Hong Kong at a consideration of HK$4,000,000;

(k) a sale and purchase agreement dated 9 October 2014 entered into between Artist Star International Development Limited, a wholly-owned subsidiary of the Company and Celestial Elite Investment Limited in relation to the disposal of the entire issued share capital of TCK Company Limited by Artist Star International Development Limited for a consideration of HK$16,257,000; and

(l) an underwriting agreement dated 19 September 2014 entered into among Mr. Tse, the Subscriber, Guotai Junan Securities (Hong Kong) Limited and the Company in relation to the underwriting arrangement in respect of the open offer of 1,855,980,483 offer shares at the subscription price of HK$0.10 per share on the basis of three offer share for every one existing share held on the record date at an underwriting commission of approximately HK$1,031,000, being 1.0% of the aggregate Subscription price of offer shares underwritten.

9. MATERIAL CHANGE

The Directors confirm that there are no material changes in the financial or trading position or outlook of the Group since 31 March 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to and including the Latest Practicable Date.

10. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective close associates was interested in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group as required to be disclosed pursuant to the Listing Rules.

11. DIRECTORS' INTEREST IN THE GROUPS' ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date,

(a) save for the Subscription Agreement, none of the Directors is materially interested in any subsisting contract or arrangement, which was significant in relation to the business of the Enlarged Group; and

(b) none of the Directors had any direct or indirect interest in any assets which had been, since 31 March 2016, being the date to which the latest audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Enlarged Group.

12. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

13. EXPERTS' QUALIFICATION AND CONSENTS

(a) Set out below are the qualifications of the professional advisers who have given opinion or advice contained in this circular:

Name	Qualification
TC Capital International Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Dominic K.F. Chan & Co.	Certified Public Accountants

(b) As at the Latest Practicable Date, each the experts listed in paragraph 13(a) above was not legally or beneficially interested in the shareholding, direct or indirect, in any member of the Enlarged Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group, nor did they have any direct or indirect interest in any assets which had been, since 31 March 2016, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(c) As at the Latest Practicable Date, each of the above experts listed in paragraph 13(a) above has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice and/or report, and the references to its name in the form and context in which they appear.

14. MISCELLANEOUS

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

(b) The head office and principal place of business of the Company in Hong Kong is at Suite No. 10, 8/F. Tower 3, China Hong Kong City, China Ferry Terminal, 33 Canton Road, Kowloon, Hong Kong.

(c) The company secretary of the Company is Mr. Leung Ka Shing. Mr. Leung is a member of Hong Kong Institute of Certified Public Accountants. Mr. Leung is experienced in accounting, auditing and corporate governance related work.

(d) The registered address and correspondence address of the Subscriber are at Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands, and Suites No. 10, 8/F., Tower 3, China Hong Kong City, China Ferry Terminal, 33 Canton Road, Kowloon, Hong Kong, respectively. The Subscriber is wholly and beneficially owned by Mr. Tse, its sole director.

(e) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited at The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.

(f) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(g) The Independent Financial Adviser is TC Capital and its registered office is situated in suite 1903-4, 19/F., Tower 6, The Gateway, Harbour City, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

(h) The financial adviser of the Company is China Investment Securities International Capital Limited and its business office is situated at 63/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong.

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

15. DOCUMENTS AVAILABLE FOR INSPECTION OF THE ENLARGED GROUP

Copies of the following documents will be available for inspection (i) at the head office and principal place of business of the Company in Hong Kong, Suite No. 10, 8/F. Tower 3, China Hong Kong City, China Ferry Terminal, 33 Canton Road, Kowloon, Hong Kong during normal business hours between 9:00 a.m. to 5:00 p.m. on any weekdays, except public holidays, (ii) on the website of the Company at www.artini-china.com, and (iii) on the website of the Securities and Futures Commission at www.sfc.hk 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 annual reports of the Company for the financial years ended 31 March 2014, 2015 and 2016;

(c) the letter from the Board, the text of which is set out on pages 8 to 39 of this circular;

(d) the letter from the Independent Board Committee, the text of which is set out on pages 40 to 41 of this circular;

(e) the letter from TC Capital, the text of which is set out pages 42 to 89 of this circular;

(f) the accountants' report on the Target Company, the text of which is set out on pages II-3 to II-21 in Appendix II of this circular;

(g) the report regarding the unaudited pro forma financial information of the Enlarged Group, the text of which is set out on pages III-1 to III-4 in Appendix III to this circular;

(h) the written consents referred to in the paragraph head "EXPERTS AND QUALIFICATIONS AND CONSENTS" in this appendix;

(i) the material contracts referred to in the paragraph headed "MATERIAL CONTRACTS" in this appendix;

(j) this circular;

(k) the circular of the Company dated 25 August 2015; and

(l) the memorandum and articles of association of the Subscriber.

ARTINI

ARTINI CHINA CO. LTD.

雅天妮中國有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 789)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of Artini China Co. Ltd. (the "**Company**") will be held at 9/F., Gloucester Tower, The Landmark, 15 Queen's Road, Central, Hong Kong on 26 August 2016 (Friday) at 9:00 a.m. for the purpose of considering and, if though fit, passing, with or without modification, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

1. "**THAT**

(i) the conditional sale and purchase agreement (the "**Acquisition Agreement**") entered into between Artini Sales Company Limited (the "**Purchaser**") and Stand Charm Limited and Dragon Max Enterprises Limited (together, the "**Vendors**") on 13 April 2016 pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell all the issued shares in Primeview Technology Limited (a copy of which has been tabled at the Meeting marked "A" and initialed by the chairman of the Meeting for the purpose of identification) and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(ii) the conditional subscription agreement (the "**Subscription Agreement**") entered into between Walifax Investments Limited (the "**Subscriber**") and the Company on 13 April 2016 pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 2,440,000,000 ordinary shares of HK$0.01 each (the "**Subscription Shares**") at the price of HK$0.074 per Subscription Share (a copy of which has been tabled at the Meeting marked "B" and initialed by the chairman hereof for the purpose of identification) and all the transactions contemplated thereunder (including but not limited to the allotment and issue of the Subscription Shares) be and are hereby approved, confirmed and ratified; and

(iii) any one director of the Company be and is hereby authorized to do all such acts and things and execute such documents and take all steps which, in his/her opinion deemed necessary, desirable or expedient to implement and/or give effect to the Acquisition Agreement and the transactions contemplated thereunder and/or the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of 2,440,000,000 new Shares under the Subscription Agreement) for and on behalf of the Company."

2. "**THAT**, subject to and conditional upon the passing of the resolution set out as Resolution No. 1 in the notice convening the Meeting, the waiver (the "**Whitewash Waiver**") granted or to be granted by the executive director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any delegate thereof to the Subscriber pursuant to Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers in respect of the obligation on the part of the Subscriber and the parties acting in concert with it to make a general offer for all the issued shares and other securities of the Company not already owned or agreed to be acquired by the Subscriber and the parties acting in concert with it be and is hereby approved and any one director of the Company be and is hereby authorized to do all such things and take all such action as he/she may consider to be necessary or desirable to implement or give effect any of the matters relating to or incidental to the Whitewash Waiver."

By Order of the Board
Artini China Co. Ltd
Tse Hoi Chau
Chairman

Hong Kong, 11 August 2016

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

Head Office and Principal Place of Business in Hong Kong:
Suite No. 10, 8/F.
Tower 3, China Hong Kong City
China Ferry Terminal
33 Canton Road, Kowloon
Hong Kong

Notes:

1. A form of proxy for the meeting is enclosed.

2. Any member of the Company entitled to attend and vote at the meeting shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at a general meeting of the Company. A proxy need not be a member. In addition, a proxy representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he/she/it represents as such member could exercise.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.

4. The instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any), under which it is signed or a certified copy of such power or authority shall be delivered to the Company's branch share registrar in Hong Kong, Union Registrars Limited, located at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the meeting at which the person named in the instrument proposes to vote.

5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened.

6. Where there are joint holders of any Share, any one of such joint holder may vote either in person or by proxy in respect of such Share as if he/she/it was solely entitled thereto; but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.

As at the date hereof, the executive Directors are Mr. Tse Hoi Chau (Chairman) and Mr. Lin Shao Hua; and the Independent non-executive Directors are Mr. Lau Fai Lawrence, Mr. Lau Yiu Kit and Mr. Zeng Zhaohui.