THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Healthwise Holdings Limited (the "**Company**"), you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

CHINA HEALTHWISE HOLDINGS LIMITED
中國智能健康控股有限公司

（Formerly known as "Haier Healthwise Holdings Limited
海爾智能健康控股有限公司"）

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 348)

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ACE SEASON HOLDINGS LIMITED AND SALE LOAN AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting of the Company to be held at Meeting Room (Soho 2), 6/F., ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Wednesday, 28 June 2017 at 12:00 noon is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time of the meeting. Completion and return of the proxy form will not preclude you from attending and voting at the meeting or any adjournment thereof (as the case may be) should you so wish.

9 June 2017

CONTENTS

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

"associate(s)"	has the same meaning ascribed thereto under the Listing Rules
"Acquisition"	the proposed acquisition of the Sale Shares and the Sale Loan
"Acquisition Completion"	completion of the Acquisition
"Acquisition Longstop Date"	30 September 2017 or such other date as the parties to the S&P Agreement may agree in writing
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holidays or days on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business
"Company"	China Healthwise Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange under stock code: 348
"connected person(s)"	has the same meaning ascribed thereto under the Listing Rules
"Consideration"	the total consideration payable by the Company for the Acquisition pursuant to the S&P Agreement, being HK$85.0 million
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, to approve, among other things, the Acquisition
"Enlarged Group"	the Group after Acquisition Completion
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Latest Practicable Date"	6 June 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"S&P Agreement"	the sale and purchase agreement dated 29 March 2017 entered into between the Company and the Vendor in relation to the Acquisition
"Sale Loan"	all the interests, benefits and rights of and in the interest-free shareholder's loan owed by the Target Company to the Vendor on Acquisition Completion, which amounted to approximately HK$92.7 million as at the Latest Practicable Date
"Sale Shares"	the entire issued share capital of the Target Company, which are beneficially owned by the Vendor immediately prior to Acquisition Completion
"Share(s)"	the ordinary share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the issued Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules
"Target Company"	Ace Season Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and wholly-owned by the Vendor as at the Latest Practicable Date
"Target Group"	the Target Company and its subsidiaries
"Vendor"	China Star Entertainment (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by China Star Entertainment Limited, the issued shares of which are listed on the Main Board of the Stock Exchange under stock code: 326
"Vendor's Warranties"	the warranties, representations and undertakings of the Vendor under the S&P Agreement
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

CHINA HEALTHWISE HOLDINGS LIMITED
中國智能健康控股有限公司

（Formerly known as "Haier Healthwise Holdings Limited
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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 348)

Executive Directors:
Lei Hong Wai *(Chairman)*
Leung Alex *(Vice Chairman)*
Tse Chi Keung
Lee Chan Wah
Lo Ming Wan

Non-executive Director:
Diao Yunfeng

Independent Non-executive Directors:
Wong Tak Chuen
Lai Hok Lim
Lien Wai Hung

Registered Office:
P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Principal Place of Business:
Unit 3811, Shun Tak Centre
West Tower
168-200 Connaught Road Central
Hong Kong

9 June 2017

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ACE SEASON HOLDINGS LIMITED AND SALE LOAN

We refer to the announcement of the Company dated 29 March 2017 in relation to, among other things, the Acquisition.

INTRODUCTION

On 29 March 2017, the Company and the Vendor entered into the S&P Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, and the Sale Loan at an aggregate consideration of HK$85.0 million.

The purpose of this circular is to provide you with, among other things, further information in relation to the Acquisition and a notice of the EGM.

THE S&P AGREEMENT

Date: 29 March 2017

Parties:

(i) The Company; and

(ii) The Vendor

The Company is principally engaged in investment holdings. The Vendor is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is a third party independent of and not connected with the Company or any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates.

Consideration

The Consideration payable to the Vendor by the Company shall be HK$85.0 million and shall be payable by the Company to the Vendor (or its nominee) in the following manner:

(i) as to HK$75.0 million, being the deposit (the "**Deposit**") and the part payment towards the Consideration, shall be payable by the Company to the Vendor (or its nominee) upon signing of the S&P Agreement; and

(ii) as to the remaining balance of the Consideration of HK$10.0 million, which shall be payable by the Company to the Vendor (or its nominee) upon Acquisition Completion.

The Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to (i) "Reasons for and benefits of the Acquisition" as disclosed below; and (ii) the unaudited consolidated net tangible liabilities of the Target Group as at 31 December 2016 of approximately HK$14.0 million, the Sale Loan as at the Latest Practicable Date of approximately HK$92.7 million and intangible value of the trademark of "Nam Pei Hong"(南北行) as agreed between the Company and the Vendor (i.e. the intangible assets of the Target Group as at 31 December 2016 as shown in the latest management accounts of the Target Group, which was approximately HK$5.1 million). It is expected that the Consideration will be financed by the internal resources of the Group and/or proceeds from the Subscription.

The Deposit is requested by the Vendor as the earnest money in respect of the Acquisition and the Vendor only accepted such high portion of Deposit as compared to the Consideration. Despite the above, the Directors consider the amount of Deposit is fair and reasonable based on the below factors:

(a) the Deposit of HK$75.0 million will be fully refunded if any of the conditions precedent of the S&P Agreement have not been satisfied (or, as the case may be, waived by the Company) on or before 5:00 p.m. on the Acquisition Longstop Date. As the Vendor is a wholly-owned subsidiary of China Star Entertainment Limited, which is a listed company in Hong Kong, it is expected that refund of the Deposit (if any) will be made in accordance with the terms of the S&P Agreement;

(b) the cash and cash equivalent of the Group amounted to approximately HK$131.5 million as at 30 September 2016 and the payment of the Deposit is made by the idle money of the Company; and

(c) since the Deposit is fully refundable, the Board considers that the payment of the Deposit is not a key term of the Acquisition.

The Directors (including the independent non-executive Directors) are of the view that the terms of the S&P Agreement (including the Consideration) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Acquisition Completion is conditional upon the following conditions being fulfilled and/or waived by the Company:

(a) the Company being reasonably satisfied with the results of the due diligence review to be conducted on the assets, liabilities, operations and affairs of the Target Group as it may reasonably consider appropriate provided that such due diligence review shall not adversely affect the daily business operations of the Target Group;

(b) the publication of an announcement of China Star Entertainment Limited in relation to the S&P Agreement and the transactions contemplated thereunder in compliance with Chapter 14 of the Listing Rules;

(c) if necessary, the passing by the Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules at a general meeting of the Company to be convened and held of the necessary ordinary resolution(s) to approve the S&P Agreement and the transactions contemplated thereby;

(d) the Vendor's Warranties remaining true and accurate in all material respects;

(e) all licenses, permissions, authorisations, certificates, regulatory approvals and consents in relation to the S&P Agreement and the transactions contemplated therein under any applicable laws, statutes, regulations and ordinances having been obtained by the Company, the Vendor and the parties to the S&P Agreement; and

(f) no material adverse change occurred on the Target Group prior to Acquisition Completion.

The parties to the S&P Agreement shall use all reasonable endeavours to procure satisfaction of the above conditions by no later than 5:00 p.m. on the Acquisition Longstop Date. As at the Latest Practicable Date, save for condition (b) above, none of the conditions above has been satisfied or waived.

The Company shall be entitled in its absolute discretion to waive the conditions (a), (d) and (f) above. Such waiver shall not imply that the Company is not relying on the Vendor's Warranties but rather only that it is prepared, in reliance upon the Vendor's Warranties and such comfort, if any, as it has taken from its investigation, to proceed with the transaction. The other conditions set out above are incapable of being waived by the Company and the Vendor.

If any of the above conditions of the S&P Agreement have not been satisfied (or, as the case may be, waived by the Company) on or before 5:00 p.m. on the Acquisition Longstop Date, (a) the S&P Agreement shall cease and determine (save and except the clauses regarding confidentiality which shall continue to have full force and effect) and none of the parties shall have any obligations and liabilities hereunder save for any antecedent breaches of the terms of the S&P Agreement; and (b) the Vendor shall at the written request of the Company refund the Deposit in full but in any event without interest, in full and final settlement of any liabilities of the Vendor towards the Company or vice versa and whereupon neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies.

Completion of the Acquisition

Acquisition Completion shall take place on the third Business Day after the fulfillment and/or waiver of the last of the conditions precedent in the S&P Agreement or such later date as the Vendor and the Company may agree in writing.

Upon Acquisition Completion, the Target Company will become a wholly-owned subsidiary of the Company, and each member of the Target Group will become a subsidiary of the Company and their financial results will be consolidated into the consolidated financial statements of the Company.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands on 12 March 2013 with limited liability, the entire issued share capital of which is beneficially owned by the Vendor immediately prior to Acquisition Completion. The Target Group is principally engaged in the sales of Chinese and other pharmaceutical products, health products, ginseng and dried seafood products to wholesaler and retailer as well as Chinese clinical services. One of the subsidiaries of the Target Company, Nam Pei Hong Sum Yung Drugs Company Limited engages in the business of trading and retail of "Sum Yung"(參茸) and dried seafood products since 1977 and the brand name of "Nam Pei Hong"(南北行) is highly recognised in Hong Kong and Southern Mainland China.

Based on the latest financial information available to the Company as at the Latest Practicable Date and subject to the audit by the reporting accountants of the Company, set out below are the unaudited consolidated financial information of the Target Group for the two years ended 31 December 2015 and 2016:

	For the year ended 31 December 2015	**For the year ended 31 December 2016**
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover	160,852	149,748
Loss before taxation	(1,754)	(1,494)
Loss after taxation	(1,673)	(1,427)

As at 31 December 2016, the unaudited consolidated net liabilities, including an amount due to the Vendor of approximately HK$92.7 million, of the Target Group was approximately HK$9.7 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company and the Group is principally engaged in development, engineering, manufacturing and sale of toys, commercial kitchen and consumer electronic products.

The Directors have been continuously evaluating the current business strategies of the Group with an aim to achieve the best use of its resources and improve its overall performance and portfolio diversification. The Company has been actively looking to diversify the revenue sources of the Group in order to create shareholders' value through making investments and/or acquiring business or projects that have promising outlooks and prospects, in particular, health care products which have been explicitly expressed by the change of the Company's name in the past year.

In view of the increasing awareness in health and the aging of population in Hong Kong, demand for health care products, especially Chinese medicine, "Sum Yung"(參茸) and dried seafood in Hong Kong has grown steadily in recent years. In addition, Mainland Chinese tourists are the fuel of Hong Kong's retail market. Hong Kong retail sales have increased significantly since July 2003 due to the enormous surge in demand by Chinese tourists towards luxury goods and health care products, for instances, Chinese medicine, "Sum Yung"(參茸) and dried seafood, which are heavily taxed and/or counterfeits are wide spreading in the PRC.

As Nam Pei Hong Sum Yung Drugs Company Limited, being one of the subsidiaries of the Target Company, has engaged in the business of trading and retail of "Sum Yung"(參茸) and dried seafood products since 1977 and the brand name of "Nam Pei Hong"(南北行) is highly recognised in Hong Kong and Southern Mainland China, the Directors consider that the Acquisition represents a great opportunity to the Group to invest in the health care business and to diversify its business into the retail business of "Sum Yung"(參茸) and dried seafood products in Hong Kong with an aim to broaden its revenue base, which is expected to have a positive future impact on the Group's performance given the positive outlook of the health care business.

Mr. Leung Alex joined Man Sang International Limited ("**Man Sang**") as the chief financial officer in 2012, and was appointed as an executive director of Man Sang in 2014.

Mr. Tse Chi Keung has been the chief financial officer of Affluent Partners Holdings Limited (formerly known as Man Sang Jewellery Holdings Limited) ("**Affluent Partners**") since 2014.

Affluent Partners has been principally engaged in the sales of pearls and jewellery and was a wholly-owned subsidiary of Man Sang before the completion of spin-off on 17 October 2014. Mr. Leung Alex and Mr. Tse Chi Keung therefore have experience in the sales of consumer products (i.e. pearls and jewellery) through their duties in Man Sang and Affluent Partners respectively.

Mr. Lee Chan Wah has joined as an executive director of SkyNet Group Limited (formerly known as China AU Group Holdings Limited and EDS Wellness Holdings Limited) in 2012. SkyNet Group Limited has been principally engaged in the sale of beauty products and provision of therapy services. Mr. Lee Chan Wah gained experience in sales of retail products (i.e. beauty products) through his role in SkyNet Group Limited.

In view of the above, despite of the lack of direct experience in Chinese health products, the Board considers that they have the experience and thus relevant skill sets in the sales of a variety of products. It is also the intention of the Company to retain senior management of the Target Group to oversee the operation and management of the Target Group after Acquisition Completion.

Despite the loss making position of the Target Group, the Directors have balanced against the fact that (a) the Directors have extensive experiences in consumer products and retail products as elaborated above; (b) it is the intention of the Company to retain senior management of the Target Group to oversee the operation and management of the Target Group after Acquisition Completion; (c) the Directors consider that retail market in Hong Kong has improved in recent months as compared with the unfavourable market sentiment in the past few years; and (d) the financial performance of the Target Group has improved with reducing loss over the three years ended 31 December 2016 and was close to breakeven for the year ended 31 December 2016.

Based on the above, the Directors consider that the terms and conditions of the S&P Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. It is expected that upon Acquisition Completion, the Directors will actively assess the Target Group's performance in different geographical locations, examine the cost structure of the Target Group and allocate more resources for marketing its brand.

As disclosed in the announcement of the Company dated 11 May 2017, the Company as issuer and the Kingston Securities Limited as placing agent entered into a placing agreement dated 11 May 2017, pursuant to which the Company has conditionally agreed to place, through Kingston Securities Limited on a best effort basis, up to 819,914,000 Shares at a placing price of HK$0.14 per Share to currently expected not fewer than six placees who and whose ultimate beneficial owners are third parties independent of and not connected with any directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (the "**Placing**"). As at the Latest Practicable Date, the Placing has not yet completed.

On the basis that all of the 819,914,000 Shares under the Placing are placed in full, the gross proceeds from the Placing will be amounted to approximately HK$114.79 million and the net proceeds from the Placing will be amounted to approximately HK$110.69 million. It is intended that approximately HK$15.0 million of the proceeds from the Placing will be applied as general working capital for the development of the business of Chinese health products.

Having considered the internal resources of the Target Group and approximately HK$15.0 million of the proceeds from the Placing to be applied for the Target Group, the Directors are of the view that as at the Latest Practicable Date, the Target Group will have sufficient working capital for its present purposes and the Company does not have any plan to conduct any further equity fund raising activities to fund the Target Group's business within six months after the Latest Practicable Date.

As mentioned in the Company's announcement dated 29 March 2017, the Directors have been continuously evaluating the current business strategies of the Group with an aim to achieve the best use of its resources and improve its overall performance and portfolio diversification. As at the Latest Practicable Date, while the Board is still in the course of evaluating the financial performance of the Group's existing businesses, it does not currently have any intention to dispose of its existing businesses.

FINANCIAL EFFECT OF THE ACQUISITION

The principal business of the Group will remain the same after Acquisition Completion. Upon Acquisition Completion, each member of the Target Group will become a subsidiary of the Company and their financial results will be consolidated into the consolidated financial statements of the Company.

Assets and liabilities

The unaudited consolidated total assets and total liabilities of the Group as at 30 September 2016 as extracted from the published interim report of the Company for the six months ended 30 September 2016 were approximately HK$829.8 million and approximately HK$301.7 million respectively. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, assuming Acquisition Completion had taken place on 30 September 2016, the unaudited pro forma total assets and total liabilities of the Enlarged Group would have been approximately HK$863.1 million and approximately HK$336.0 million respectively.

Earnings

The Target Group recorded an unaudited consolidated loss after taxation of approximately HK$1.4 million for the year ended 31 December 2016. In light of the positive outlook of the health care business and other factors considered by the Directors as stated in the section headed "Reasons for and benefits of the Acquisition" above, the Directors are of the view that the Acquisition will have a positive future impact to the Group. However, the actual effect on earnings will depend on the future financial performance of the Target Group.

It should be noted that the above financial effects of the Acquisition are for illustration purpose only. The actual financial effects of the Acquisition on the Enlarged Group may be different from the amounts presented in this section.

LISTING RULES IMPLICATIONS

As certain of the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition is more than 25% but all are less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

THE EGM

The Company will convene the EGM for the Shareholders to consider and, if thought fit, approve the S&P Agreement and the transactions contemplated thereunder. A notice convening the EGM to be held at Meeting Room (Soho 2), 6/F., ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Wednesday, 28 June 2017 at 12:00 noon is set out on pages EGM-1 to EGM-2 of this circular.

The votes of the Shareholders on the resolution for approving the S&P Agreement and the transactions contemplated thereunder will be taken by way of poll at the EGM. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is a third party independent of and not connected with the Company or any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition which is different from the other Shareholders. Therefore, no Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the S&P Agreement and the transactions contemplated thereunder.

Whether or not you are able to attend, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the office of the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time of the meeting. Completion and return of the proxy form will not preclude you from attending and voting at the meeting or any adjournment thereof (as the case may be) should you so wish.

Shareholders and potential investors should note that Acquisition Completion is subject to fulfilment of the conditions under the S&P Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and if there is any doubt about their positions, they should consult their professional advisers.

RECOMMENDATION

The Directors consider that the terms of the S&P Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the S&P Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

By Order of the Board
China Healthwise Holdings Limited
Lei Hong Wai
Chairman and Executive Director

1. FINANCIAL INFORMATION

Financial information and management discussion and analysis of the Group for each of the three years ended 31 March 2014, 2015 and 2016 are respectively disclosed in (i) pages 50 to 128 and pages 16 to 22 of the annual report of the Company for the year ended 31 March 2014 respectively; (ii) pages 55 to 144 and pages 17 to 24 of the annual report of the Company for the year ended 31 March 2015 respectively; and (iii) pages 51 to 132 and pages 15 to 23 of the annual report of the Company for the year ended 31 March 2016 respectively, which were published on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.healthwisehk.com/zh). Please refer to the relevant hyperlinks as stated below:

Financial year ended	Hyperlinks
31 March 2016	http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0728/LTN20160728371.pdf
31 March 2015	http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0720/LTN20150720049.pdf
31 March 2014	http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0730/LTN20140730397.pdf

2. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 30 April 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total borrowings amounted to approximately HK$64.0 million.

Disclaimer

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 30 April 2017. To the best knowledge of the Directors, having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the Enlarged Group since 30 April 2017 and up to the Latest Practicable Date.

3. MATERIAL ADVERSE CHANGE

As disclosed in the profit warning announcement of the Company dated 18 November 2016, based on the information then available to the Board, the Group was expected to record a substantial increase in the loss attributable to the owners of the Company for the six months ended 30 September 2016 (“**FP2016**”) as compared to that for the corresponding period in 2015. Subsequently as disclosed in the interim report of the Company for FP2016 (the “**Interim Report**”), the Group record a loss attributable to the owners of the Company of approximately HK$24.2 million for FP2016 as compared with that of approximately HK$14.3 million for the six months ended 30 September 2015. As disclosed in the Interim Report, such increase in loss was mainly attributable to the increase in staff production cost and the depreciation charges, which led to the decrease in gross profit and profit margin.

Save as disclosed above, the Directors were not aware of any material adverse change in the financial or trading position 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).

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account the financial resources available to the Enlarged Group including internally generated funds and the available banking facilities, the Enlarged Group will have sufficient working capital for its present operating requirements and for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Company is an investment holding company and the Group is principally engaged in development, engineering, manufacturing and sale of toys, commercial kitchen and consumer electronic products.

Commercial Kitchen Products

The commercial kitchen products market is very fragmented in the People’s Republic of China (the “**PRC**”) with no major players in the market. Market growth is driven by increasing demand for dining out as the living standard rises, higher environmental standard and motivation to save fuel costs. However, due to the PRC economic slowdown, the investment in fixed assets decreased during FP2016, which caused negative effects on the commercial kitchen products market. The management of the Company (the “**Management**”) will continuously control the financial risks with caution.

Childcare Products

During FP2016, several new small baby appliances models, including electric sterilizer, baby bottle & food warmer, baby food processor, baby hair cutter, and baby air purifier have been launched by the Group. In addition, the Management expects that new products covering different categories, such as feeding and nursery, health and safety, etc. will also be released gradually to enrich our product portfolio, and the Management believes that the multi-product strategy will get the Company well prepared to capture the opportunities triggered by the "two-child policy" in the Mainland.

Toys

The shipments for toy products are expected to be lower without many items relating to any major movie in the second half of the financial year ended 31 March 2017. The Group, however, will have to face the annual increase in minimum wages in Indonesia by approximately 8.2% beginning January 2017. Due to the imminent increase in interest rates in the United States and the depreciating Renminbi and other competing Asian currencies, Indonesia Rupiah are likely to be fluctuating substantially in order to stay competitive which may further add to the Group's foreign currency risks. The depreciating Renminbi and other ASEAN currencies will make it tougher for the Group's Indonesian plant to remain competitive as well as a viable production source for our current original equipment manufacturing ("**OEM**") customers.

Despite the competitive environment of the OEM toy manufacturing business, the Management believes that it is vital for the Group to continue to invest to broaden the Indonesian plant capabilities and upgrade the facilities in order to comply with customers' quality requirements and tough social responsibility standards as well as local government's strict labour and environmental requirements.

Kid Galaxy will continue to showcase new products in the coming toy fair in the early part of 2017 but further capital investments into product development, engineering, new product moulds plus additional marketing and promotion costs for new products will continue to affect the contribution to this segment's profitability.

Sales of Chinese health products

The Directors have been actively exploring new investment opportunities from time to time in order to diversify the revenue sources of the Group. On 29 March 2017, the Company as purchaser entered into the S&P Agreement with the Vendor in respect of the Acquisition. Upon Acquisition Completion, each member of the Target Group will become a subsidiary of the Company and their financial results will be consolidated into the consolidated financial statements of the Company.

The Target Group is principally engaged in the sales of Chinese and other medicines, pharmaceutical products, health products, ginseng and dried seafood products to wholesaler and retailer as well as Chinese clinical services. One of the subsidiary of the Target Company, Nam Pei Hong Sum Yung Drugs Company Limited engages in the business of trading and retail of "Sum Yung"(參茸) and dried seafood products since 1977 and the brand name of "Nam Pei Hong"(南北行) is highly recognised in Hong Kong and Southern Mainland China.

After taking into account the factors set out in the section headed "Reasons for and benefits of the Acquisition" above, the Directors consider that the Acquisition represents a suitable opportunity to the Group to diversify its business into the retail business of "Sum Yung"(參茸) and dried seafood products in Hong Kong and broaden its revenue base, which is expected to have a positive future impact on the Group's performance given the positive outlook of such business.

BUSINESSES ACQUIRED OR TO BE ACQUIRED BY THE GROUP AFTER 31 MARCH 2016

As disclosed in the announcement of the Company dated 10 May 2017, the Company entered into a letter of intent (the "**Letter of Intent**") dated 10 May 2017 with Riche (BVI) Limited (the "**Potential Vendor**") in relation to the possible acquisition (the "**Possible Acquisition**") by the Company from the Potential Vendor of the entire shareholding interest in Smart Title Limited, which in turn indirectly owns the operation rights in respect of a membership-based luxury club located at Beihuqu Village, Lai Guang Ying Town, Chaoyang District, Beijing, the PRC and a piece of 580 Chinese acre land adjacent to the club (the "**Target Assets**"). Pursuant to the Letter of Intent, the Company is granted an exclusive negotiation right for a period of three months from the date of the Letter of Intent, during which the Potential Vendor undertakes not to engage or enter into any discussion, negotiation or arrangement with, or give any undertaking in favour of, any third party in relation to the sale of the entire shareholding interest in Smart Title Limited or the rights or interests in respect of the Target Assets. As at the Latest Practicable Date, no binding agreement for the Possible Acquisition has been entered into between the parties to the Letter of Intent.

Save for the Acquisition and the Possible Acquisition, no material business or interest in the share capital of a company has been acquired, agreed to be acquired or proposed to be acquired by the Group after 31 March 2016, being the date to which the latest published audited consolidated financial statements of the Group was made up.

The following is the text of a report received from the reporting accountants of the Company, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31 Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

9 June 2017

The Board of Directors
China Healthwise Holdings Limited
(Formerly known as "Haier Healthwaise Holdings Limited")

Dear Sirs,

We report on the financial information (the "**Financial Information**") of Ace Season Holdings Limited (the **Target Company**") and its subsidiaries (collectively referred to as the "**Target Group**"), which comprising the consolidated statements of financial position of the Target Group at 31 December 2014, 2015 and 2016 and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2014, 2015 and 2016 (the "**Relevant Years**"), and a summary of significant accounting policies and other explanatory information. This Financial Information has been prepared by the directors of the Target Company and is set out in Section A to C below for inclusion in Appendix II to the circular of the Company dated 9 June 2017 (the "**Circular**") in connection with the proposed acquisition of the issued share capital of the Target Company.

The Target Company was incorporated in the British Virgin Islands ("**BVI**") on 12 March 2013 as an exempted company with limited liability and its principal activity is investment holding.

As at the date of this report, the Target Company has direct and indirect interest in the subsidiaries as set out in note 33 of Section B below.

No statutory audited financial statements have been prepared by the Target Company as there is no statutory requirement in its place of incorporation. The statutory audited financial statements of the other companies now comprising the Target Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their places of incorporation.

The directors of the Target Company is responsible for the preparation of the consolidated financial statements of the Target Company for the Relevant Years that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the "**Underlying Financial Statements**"), and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "**HKSAs**") issued by the HKICPA pursuant to separate terms of engagement.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Target Company is responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion on the Financial Information and to report our opinion solely to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the consolidated financial position of the Target Group at 31 December 2014, 2015 and 2016 and of the consolidated financial performance and consolidated cash flows of the Target Group for each of the Relevant Years.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 3 (b) to the Financial Information which indicates that the Target Group incurred a net loss of approximately HK$2,572,000, HK$1,673,000 and HK$1,427,000 for the years ended 31 December 2014, 2015 and 2016 and, as of that date, the Target Group's total liabilities exceeds its total assets by approximately HK$6,622,000, HK$8,299,000 and HK$9,707,000. These conditions, along with other matters as set forth in note 3(b) to the Financial Information, indicate the existence of a material uncertainty which may cast significant doubt about the Target Group's ability to continue as a going concern.

A. FINANCIAL INFORMATION OF THE TARGET GROUP

CONSOLIDATED INCOME STATEMENTS

		Years ended 31 December		
		2014	2015	2016
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operation				
Revenue	7	160,949	160,852	149,748
Cost of sales		(109,729)	(108,120)	(99,455)
Gross profit		51,220	52,732	50,293
Other revenue and other income	8	18	52	25
Gain on disposal of a subsidiary		–	–	30
Administrative expenses		(12,895)	(8,903)	(8,976)
Marketing, selling and distribution expenses		(44,703)	(45,308)	(42,567)
Other operating expenses		–	–	(11)
Loss from operations		(6,360)	(1,427)	(1,206)
Finance costs	9	(310)	(327)	(288)
Loss before tax	10	(6,670)	(1,754)	(1,494)
Income tax credit	11	189	81	67
Loss for the year from continuing operation		(6,481)	(1,673)	(1,427)
Discontinued operation				
Profit for the year from discontinued operation	13	3,909	–	–
Loss for the year		(2,572)	(1,673)	(1,427)
Loss for the year attributable to:				
Owners of the Target Company		(2,473)	(1,670)	(1,425)
Non-controlling interests		(99)	(3)	(2)
		(2,572)	(1,673)	(1,427)

The accompanying notes form an integral part of the Financial Information of the Target Group.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended 31 December		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Loss for the year	(2,572)	(1,673)	(1,427)
Other comprehensive income			
Items that may be reclassified subsequently to consolidated income statements:			
Exchange differences arising on translation of foreign operations:			
Exchange difference arising during the year	45	(4)	19
Other comprehensive income/(loss) for the year	45	(4)	19
Total comprehensive loss for the year	(2,527)	(1,677)	(1,408)
Total comprehensive loss for the year attributable to:			
Owners of the Target Company	(2,432)	(1,674)	(1,406)
Non-controlling interests	(95)	(3)	(2)
	(2,527)	(1,677)	(1,408)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2014	**2015**	**2016**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*16*	4,598	3,086	1,879
Goodwill	*17*	–	–	–
Intangible assets	*18*	5,988	5,497	5,094
		10,586	8,583	6,973
Current assets				
Inventories	*19*	68,008	61,049	59,003
Trade receivables	*20*	3,089	5,529	5,445
Deposits, prepayments and other receivables	*21*	9,157	6,963	5,914
Amounts due from fellow subsidiaries	*22*	49	11	31
Amounts due from non-controlling interests	*22*	–	329	–
Cash and bank balances	*23*	23,737	33,226	39,971
		104,040	107,107	110,364
Total assets		114,626	115,690	117,337
Capital and reserve				
Share capital	*24*	8	8	8
Reserves		(6,206)	(7,880)	(9,286)
Equity attributable to owners of the Target Company		(6,198)	(7,872)	(9,278)
Non-controlling interests		(424)	(427)	(429)
Total equity		(6,622)	(8,299)	(9,707)

		At 31 December		
		2014	2015	2016
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liability				
Deferred tax liabilities	*25*	988	907	840
Current liabilities				
Bank borrowings	*26*	15,819	14,928	13,513
Trade payables	*27*	7,162	10,598	15,409
Accruals and other payables	*28*	4,261	4,822	4,327
Amount due to ultimate holding company	*22*	–	10	21
Amount due to immediate holding company	*22*	92,724	92,724	92,724
Amounts due to non-controlling interests	*22*	294	–	210
		120,260	123,082	126,204
Total liabilities		121,248	123,989	127,044
Total equity and liabilities		114,626	115,690	117,337
Net current liabilities		(16,220)	(15,975)	(15,840)
Total assets less current liabilities		(5,634)	(7,392)	(8,867)

The accompanying notes form an integral part of the Financial Information of the Target Group.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Company					
	Share capital	**Exchange reserve**	**Accumulated losses**	**Sub-total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	8	(13)	(3,761)	(3,766)	(329)	(4,095)
Loss for the year	–	–	(2,473)	(2,473)	(99)	(2,572)
Other comprehensive income for the year	–	41	–	41	4	45
Total comprehensive income/(loss) for the year	–	41	(2,473)	(2,432)	(95)	(2,527)
At 31 December 2014 and at 1 January 2015	8	28	(6,234)	(6,198)	(424)	(6,622)
Loss for the year	–	–	(1,670)	(1,670)	(3)	(1,673)
Other comprehensive loss for the year	–	(4)	–	(4)	–	(4)
Total comprehensive loss for the year	–	(4)	(1,670)	(1,674)	(3)	(1,677)
At 31 December 2015 and at 1 January 2016	8	24	(7,904)	(7,872)	(427)	(8,299)
Loss for the year	–	–	(1,425)	(1,425)	(2)	(1,427)
Other comprehensive income for the year	–	19	–	19	–	19
Total comprehensive income/(loss) for the year	–	19	(1,425)	(1,406)	(2)	(1,408)
At 31 December 2016	8	43	(9,329)	(9,278)	(429)	(9,707)

Note: Exchange reserve represents exchange differences relating to the translation of the net assets of the Target Group's foreign operations from their functional currencies to the Target Group's presentation currency (i.e. Hong Kong dollar) are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve shall be reclassified to profit or loss on disposal of the foreign operations.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years ended 31 December		
		2014	**2015**	**2016**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax from continuing operation		(6,670)	(1,754)	(1,494)
Profit before tax from discontinued operation		3,909	–	–
Adjustments for:				
Finance costs		330	327	288
Interest income		(42)	(7)	(20)
Amortisation of intangible assets		1,143	491	403
Depreciation of property, plant and equipment		4,398	2,732	1,968
Impairment loss recognised in respect of trade receivables		–	–	11
Impairment loss recognised in respect of goodwill		3,030	–	–
Gain on disposal of subsidiaries		(5,614)	–	(30)
Loss on disposal of property, plant and equipment		8	–	98
Loss arising on change in fair value of financial assets classified as held for trading investment		89	–	–
Operating cash flows before movements in working capital		581	1,789	1,224
Decrease in inventories		7,916	6,959	2,046
Decrease/(increase) in trade receivables		1,287	(2,440)	73
Decrease in deposits, prepayment and other receivables		1,731	2,194	1,049
(Increase)/decrease in amounts due from fellow subsidiaries		(7)	38	10
Decrease/(increase) in amount due from non-controlling interests		19	(329)	329
(Decrease)/increase in trade payables		(4,845)	3,436	4,811

		Years ended 31 December		
		2014	**2015**	**2016**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
(Decrease)/increase in accruals and other payables		(1,794)	560	(495)
Increase in amount due to ultimate holding company		–	10	11
Decrease in amount due to immediate holding company		(82,282)	–	–
Increase/(decrease) in amounts due to non-controlling interests		294	(293)	210
Cash (used in)/generated from operations		(77,100)	11,924	9,268
Tax paid		(82)	–	–
Net cash (used in)/generated from operating activities		(77,182)	11,924	9,268
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		42	7	20
Net cash inflows from disposal of subsidiaries	*29*	81,710	–	–
Proceeds from disposal of property, plant and equipment		2	–	4
Purchase of property, plant and equipment		(5,167)	(1,220)	(863)
Net cash generated from/(used in) investing activities		76,587	(1,213)	(839)
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid		(330)	(327)	(288)
New bank borrowings raised		55,368	65,750	63,439
Repayment of bank borrowings		(54,928)	(66,641)	(64,854)
Net cash generated from/(used in) financial activities		110	(1,218)	(1,703)

		Years ended 31 December		
		2014	2015	2016
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
(Decrease)/increase in cash and cash equivalents		(485)	9,493	6,726
Cash and cash equivalents at the beginning of the Relevant Years		24,177	23,737	33,226
Effect of foreign exchange rate changes		45	(4)	19
Cash and cash equivalents at the end of the Relevant Years				
Cash and bank balances	*23*	23,737	33,226	39,971

The accompanying notes form an integral part of the Financial Information of the Target Group.

B. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was incorporated in the BVI on 12 March 2013 as an exempted company with limited liability. Its immediate holding company is China Star Entertainment (BVI) Limited ("**CSBVI**"), a company incorporated in the BVI as an exempted company with limited liability, and its ultimate holding company is China Star Entertainment Limited ("**CSEL**"), a company incorporated in Bermuda as an exempted company with limited liability and its shares being listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI.

The Target Company is an investment holding company and principal activities of the Target Group is set out in note 33 to the Financial Information.

The Financial Information is presented in Hong Kong dollar ("**HK$**"), which is the same functional currency of the Target Company. All Financial Information presented in HK$ has been rounded to the nearest thousand (HK$'000) except otherwise stated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

HKICPA has issued a number of new and amendments to Hong Kong Accounting Standards ("**HKASs**"), HKFRSs amendments and related interpretations (hereinafter collectively referred to as the "**new and amendments to HKFRSs**") which are effective for the Target Group's financial year beginning on 1 January 2016. For the purpose of preparing and presenting the Financial Information of the Relevant Years, the Target Group has consistently adopted all these new and amendments to HKFRSs throughout the Relevant Years.

The following new and amendments to HKFRSs that are potentially relevant to the Target Group's Financial Information, have been issued but are not yet effective for the Relevant Years and have not been early adopted.

HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKAS 40 (Amendments)	Transfers of Investment Property[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle[5]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]

1 *Effective for annual periods beginning on or after 1 January 2017. Earlier application permitted.*

2 *Effective for annual periods beginning on or after 1 January 2018. Earlier application permitted.*

3 *Effective for annual periods beginning on or after 1 January 2019. Earlier application permitted.*

4 *Effective for annual periods beginning on or after a date to be determined.*

5 *Effective for annual periods beginning on or after 1 January 2017 or 2018, with earlier application permitted.*

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which is relevant to the Target Group is 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 period 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 directors of the Target Company have reviewed the Target Group's financial assets at 31 December 2016 and anticipate that the application of HKFRS 9 in the future may result in early recognition of credit losses based on expected loss model in relation to the Target Group's financial assets measured at amortised cost and is not likely to have other material impact on the results and financial position of the Target Group based on an analysis of the Target Group's existing business model.

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(s)
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract(s)
- 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 anticipates that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Target Group's Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Target Group performs a detailed review.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Target Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Target Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Target Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Furthermore, extensive disclosures are required by HKFRS 16.

At 31 December 2016, the Target Group has non-cancellable operating lease commitments of approximately HK$18,395,000 as disclosed in note 30 to the Financial Information. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Target Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Except disclosed above, the directors do not anticipated that the application of other new and amendments to HKFRSs will have a material impact on the Financial Information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this Financial Information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(a) Statement of compliance

The Financial Information have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, HKASs and Interpretations ("**Ints**") issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange and by the disclosure requirements of the Hong Kong Companies Ordinance.

(b) Basis of preparation

The Financial Information has been prepared on the historical cost basis.

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

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 Target 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 Financial Information 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 within 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.

During the years ended 31 December 2014, 2015 and 2016, the Target Group incurred a net loss of approximately HK$2,572,000, HK$1,673,000, HK$1,427,000 respectively and, as of that date, the Target Group's total liabilities exceeded its total assets by approximately HK$6,622,000, HK$8,299,000, HK$9,707,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Target Group's ability to continue as a going concern and, therefore, the Target Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In addition, CSEL, its ultimate holding company, has agreed to provide continuing financial support to the Target Group. The directors are of the opinion that the Target Group will be able to finance its future working capital and financial requirements. Accordingly, the Financial Information has been prepared on a going concern basis.

(c) Basis of consolidation

The Financial Information incorporate the financial statements of the Target Company and entities controlled by the Target Company and its subsidiaries. Control is achieved when the Target 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 the amount of the investee's return.

The Target Group reassesses 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 Target Group obtains control over the subsidiary and ceases when the Target 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 income statements from the date the Target Group gains control and until the date when the Target Group ceases to control the subsidiary.

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

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

When the Target Group loses control of a subsidiary, a gain or loss is recognised in the consolidated income statements 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 Target Group had directly disposed of the related assets or liabilities of the subsidiary.

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any, and is presented separately in consolidated statements of the financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Target Group's cash-generating unit ("**CGU**") (or groups of CGU) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statements. An impairment loss recognised for goodwill is not reversed in subsequent periods.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for good and services supplied, net of value-added tax, returns, rebates and discounts.

Revenue from sales of health products and provision of related services are recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the products are delivered to customers and title is passed and when relevant services are rendered.

Interest income from financial asset 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 estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

(f) Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives that are acquired in a business combination are carried at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets with indefinite useful lives that are acquired in a business combination are carried at cost less any accumulated impairment losses.

(g) Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

The cost of an asset 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 the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statements in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is recognised so as to write off the cost of assets 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 Relevant Years, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Buildings	2% – 5%
Leasehold improvements	Over the lease term
Furnitures, fixtures and equipment	10% – 50%

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 the consolidated income statements.

(h) Impairment of tangible and intangible assets other than goodwill

At the end of each Relevant Years, the Target 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 loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an 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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statements.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) 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 loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated income statements.

(i) Taxation

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

Current 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 income statements because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the Relevant Years.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information 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 deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Target 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 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 amounts of deferred tax assets is reviewed at the end of each Relevant Years 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 rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Years.

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

Current and deferred tax for the year

Current and deferred tax are recognised in the consolidated income statements, except when they relate 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.

(j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated income statements in the period in which they are incurred.

(k) Inventories

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

When inventories are sold, the carrying amounts of those inventories is recognised as cost of sales in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as cost of sales in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is offset against the cost of sales in the period in which the reversal occurs.

(l) 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 (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in the consolidated income statements.

Financial assets

Financial assets are classified into the following specified categories: 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits paid, other receivables, amounts due from fellow subsidiaries, amounts due from non-controlling interests and cash and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each Relevant Years. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, 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
- the disappearance of an active market for that financial asset because of financial difficulties.

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

For financial assets that are 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 receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated income statements.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated income statements to the extent that the carrying amount of the financial assets 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

Classification as financial liabilities or equity

Financial liabilities 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 an entity after deducting all of its liabilities. Equity instruments issued by the Target Group are recognised at the proceeds received, net of direct issue costs.

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.

Other financial liabilities

Other financial liabilities (including bank borrowings, trade payables, accruals and other payables, amount due to ultimate holding company, amount due to immediate holding company and amounts due to non-controlling interests) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Target 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 Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target 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 the consolidated income statements.

On derecognition of a financial asset other than in its entirety, the Target Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in consolidated income statements. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statements.

Offsetting financial instrument

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Target Company or the counterparty.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(n) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each Relevant Years, 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 at 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 the consolidated income statements in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to accumulated losses on repayment of the monetary items.

For the purposes of presenting the Financial Information, the assets and liabilities of the Target Group's foreign operations are translated into the presentation currency of the Target Group (i.e. HK$) using exchange rates prevailing at the end of each Relevant Years. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

(o) Leasing

All leases are classified as operating leases.

The Target Group as lessee

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.

(p) Employee benefits

Annual leave

Employee entitlement to annual leave is recognised when it accrues to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees during the year. Employee entitlements to maternity leave and sick leave are not recognised until the time of leave.

Bonuses

The Target Group recognises a liability for bonuses when there is a contractual obligation and the amount can be estimated reliably.

Retirement benefit obligations

Payments to Mandatory Provident Fund Scheme (the "**MPF Scheme**") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

The Target Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to 1 June 2014). The Target Group's contributions to the scheme are expensed as incurred and vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Target Group.

The employees employed by the Target Group's subsidiaries in the People's Republic of China (the "**PRC**") are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Target Group with respect to the retirement benefits schemes operated by the government of the PRC is to make the specified contributions under the schemes.

Long service payment

The Target Group's net obligations in respect of long service payment to its employees on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that the employees have earned in return for their services in the current and prior periods.

(q) Provisions

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Group will be required to settle the 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 Relevant Years, 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 of 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.

(r) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Target Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(s) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target Group. When inflow is virtually certain, an asset is recognised.

(t) Related party transactions

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

(a) A person, or a close member of that person's family, is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or the Target Group's parent.

(b) An entity is related to the Target Group if any of the following conditions applies:

(i) the entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities 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 Group or an entity related to the Target Group.

(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).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the Target Group's parent.

A related party transaction is a transfer of resources, services or obligation between the Target Group and a related party, regardless of whether a price is charged.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Discontinued operation

A discontinued operation is a component of the Target Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Target Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of consolidated income statements, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs of disposal, or on the disposal, of the assets of disposal group constituting the discontinued operation.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 3 to the Financial Information, 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 ongoing 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the Relevant Years, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of intangible assets and goodwill

Intangible assets with indefinite useful lives and goodwill are reviewed for impairment at the end of each Relevant Years or whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of the asset is the greater of the fair value less costs of disposal and value in use. An estimation of the value in use of the asset involves estimating the future cash flows expected to arise from its continuing use and applying the appropriate discount rate that reflects current market assessment of the time value of money and the risk specific to the asset.

Trade receivables

The aging debt profile of trade receivables is reviewed on a regular basis to ensure that the receivables are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded or the repayment date is due. However, from time to time, the Target Group may experience delays in collection. Where recoverability of receivables are called into doubts, specific provisions of trade receivables are made based on credit status of the customers, the aging analysis of the trade receivables balances and written-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent written-off of the related receivables to the consolidated income statements. Changes in the collectability of receivables for which provisions are not made could affect our results of operations.

Assessment of economic useful lives of fixed assets and intangible assets with finite useful life other than goodwill

Fixed assets and intangible assets with finite useful lives other than goodwill are depreciated or amortised over their economic useful lives. The assessment of estimated useful lives is a matter of judgement based on the experience of the Target Group, taking into account factors such as technological progress, changes in market demand, expected usage and physical wear and tear. Useful lives are periodically reviewed for continued appropriateness. Due to long lives of assets, changes to the estimates used can result in variations in their carrying amounts.

The estimated useful lives and residual value of intangible assets were revised during the year ended 31 December 2014 (note 18).

Income taxes

The Target Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Target Group recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience on selling goods of similar nature. It could change significantly as a result of change in market condition. The directors will re-assess the estimations at the end of each Relevant Years.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments:

	At 31 December		
	2014	2015	2016
	HK\$'000	*HK\$'000*	*HK\$'000*
Financial assets			
Loans and receivables (including cash and bank balances)	32,972	44,443	50,741
Financial liabilities			
Amortised cost	120,260	123,082	126,204

(b) Financial risk management objective and policies

The Target Group's major financial instruments include trade receivables, deposits paid, other receivables, amounts due from fellow subsidiaries, amounts due from non-controlling interests, cash and bank balances, bank borrowings, trade payables, accruals and other payables, amount due to ultimate holding company, amount due to immediate holding company and amounts due to non-controlling interests. Details of the financial instruments for the Target Group are disclosed in respective notes to the Financial Information.

The risks associated with these financial instruments include market risk (currency risk, equity price risk and interest rate 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.

There has been no change to the types of the Target Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

(i) Foreign exchange risk

The Target Group operates in Hong Kong and PRC and majority of transactions are denominated in HK$ and Renminbi ("**RMB**"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Target Group.

The transactions and monetary assets denominated in RMB is minimal, the Target Group considers there has no significant foreign exchange risk in respect of RMB.

The Target Group currently does not have a foreign currency hedging policy in respect of assets and liabilities denominated in foreign currency. The management will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(ii) Equity price risk

The Target Group is not exposed to equity price risk because the Target Group's operations are not relied on working capital that is subject to significant price change.

(iii) Interest rate risk

The Target Group is exposed to interest rate risk relates primarily to variable rate borrowings (see note 26 to the Financial Information for the details of bank borrowings). The Target Group's income and operating cash flows are substantially independent of changes in market interest rates. The Target Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each Relevant Years. The analysis is prepared assuming the financial instruments outstanding at the end of the Relevant Years were outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Target Group's pre-tax loss for the years ended 31 December 2014, 2015 and 2016 would decrease/increase by approximately HK$79,000, HK$75,000 and HK$68,000 respectively. This is mainly attributable to the Target Group's exposure to interest rates on its variable rate of bank borrowings.

Credit risk

The Target Group's credit risk is primarily attributable to trade receivables and cash and bank balances. The Target Group's maximum exposure to credit risk, which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Target Group has no significant concentration of credit risk due to the customers' base being large and unrelated.

In order to minimise the credit risk, the directors of the Target Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of each individual trade receivable at the end of the Relevant Years to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Target Company consider that the Target Group's credit risk is significantly reduced.

The Target Group deposited its cash and bank balances with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Target Group's right with respect to cash and cash equivalents held to be delayed or limited. Management of the Target Company monitors the credit rating of these banks on an ongoing basis, and considers that the Target Group's exposure to credit risk were minimal.

The Target Group does not have any other significant concentrations of credit risk. The exposures to these credit risks are monitored on an ongoing basis.

Liquidity risk

The Target Group manages liquidity risk by maintaining adequate cash and cash equivalents, monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The liquidity risk is under continuous monitoring by the management. Reports with maturity dates of bank borrowings and thus the liquidity requirement are provided to management for review periodically. Management will raise or refinance bank borrowings whenever necessary.

The following table shows details of the Target 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 Target Group can be required to pay.

Specifically, bank borrowings with a repayment on demand clause are included in 'on demand or within 1 year' regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are prepared based on the agreed repayment dates. The amounts disclosed in the table are based on the contractual undiscounted payments, are as follows:

		At 31 December 2014				
	Effective interest rate	On demand or within 1 year *HK$'000*	Within 2-5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Total carrying amounts *HK$'000*
Non-derivative financial liabilities						
Bank borrowings	2.3%-2.7%	16,200	–	–	16,200	15,819
Trade payables	–	7,162	–	–	7,162	7,162
Accruals and other payables	–	4,261	–	–	4,261	4,261
Amount due to immediate holding company	–	92,724	–	–	92,724	92,724
Amounts due to non-controlling interests	–	294	–	–	294	294
Total		120,641	–	–	120,641	120,260

	Effective interest rate	On demand or within 1 year	Within 2-5 years	Over 5 years	Total undiscounted cash flows	Total carrying amounts
		At 31 December 2015				
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-derivative financial liabilities						
Bank borrowings	2.3%-2.4%	15,282	–	–	15,282	14,928
Trade payables	–	10,598	–	–	10,598	10,598
Accruals and other payables	–	4,822	–	–	4,822	4,822
Amount due to ultimate holding company	–	10	–	–	10	10
Amount due to immediate holding company	–	92,724	–	–	92,724	92,724
Total		123,436	–	–	123,436	123,082

	Effective interest rate	On demand or within 1 year	Within 2-5 years	Over 5 years	Total undiscounted cash flows	Total carrying amounts
		At 31 December 2016				
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-derivative financial liabilities						
Bank borrowings	2.6%-3.0%	13,882	–	–	13,882	13,513
Trade payables	–	15,409	–	–	15,409	15,409
Accruals and other payables	–	4,327	–	–	4,327	4,327
Amount due to ultimate holding company	–	21	–	–	21	21
Amount due to immediate holding company	–	92,724	–	–	92,724	92,724
Amounts due to non-controlling interests	–	210	–	–	210	210
Total		126,573	–	–	126,573	126,204

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined with generally accepted pricing model based on discounted cash flow analysis.

The directors of the Target Company consider that the carrying amounts of its financial assets and financial liabilities recognised in the Financial Information are approximate to their fair values.

(d) Capital management

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

The capital structure of the Target Group consists of net debts (which includes bank borrowings) and equity attributable to owners of the Target Company (comprising share capital and reserves).

The Target Group is not subject to any external imposed capital requirements.

Gearing ratio

The directors of the Target Company review the capital structure on annual basis. As part of this review, the directors of the Target Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Target Company, the Target Group will balance its overall capital structure through payment of dividends, issue of new shares and repurchase of shares as well as issue of new debts or the redemption of existing debts.

The gearing ratio at the end of the Relevant Years was as follows:

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Total debt *(Note)*	15,819	14,928	13,513
Less: Cash and bank balances	(23,737)	(33,226)	(39,971)
Net cash	(7,918)	(18,298)	(26,458)
Equity attributable to owners of the Target Company	(6,198)	(7,872)	(9,278)
Total debt to equity ratio	255%	190%	145%

Note: Debt comprises bank borrowings as detailed in note 26 to the Financial Information.

6. SEGMENT INFORMATION

As per HKFRS 8 *Operating Segments*, no business analysis and segment reporting information such as segment revenue, results, assets, liabilities and other information are shown substantially as the Target Group only engages in the Nam Pei Hong operation.

Discontinued operation

Property investment operation – Investing and development of properties located in Hong Kong

Upon completion of the disposal of Star Hope Investments Limited and Smart Value Developments Limited during the year ended 31 December 2014, the property investment operation was discontinued.

The segment information of property investment operation is disclosed in note 13 to the Financial Information.

7. REVENUE

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operation			
Sales of health products and provision of related services	160,949	160,852	149,748

8. OTHER REVENUE AND OTHER INCOME

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operation			
Interest income	7	7	20
Net foreign exchange gain	–	3	–
Other income	11	42	5
	18	52	25

9. FINANCE COSTS

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operation			
Interest on bank borrowings	310	327	288

10. LOSS BEFORE TAX

Continuing operation

Loss before tax has been arrived at after charging/(crediting):

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Amortisation of intangible assets	1,143	491	403
Auditors' remuneration for audit services	98	96	96
Cost of inventories sold (included in cost of sales)	103,397	101,655	93,623
Depreciation of property, plant and equipment	2,852	2,732	1,968
Net foreign exchange gain	–	(3)	–
Staff costs (including directors' remunerations)			
– Salaries and other benefits	18,532	17,650	17,728
– Retirement benefits scheme contribution	872	842	820
Impairment loss recognised in respect of goodwill	3,030	–	–
Impairment loss recognised in respect of trade receivables (included in other operating expenses)	–	–	11
Loss on disposal of property, plant and equipment	8	–	98
Operating lease rental in respect of premises	15,301	17,010	16,413

11. INCOME TAX CREDIT

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
The income tax credit is as follow:			
Current tax	–	–	–
Deferred tax:			
Current year	(189)	(81)	(67)
	(189)	(81)	(67)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the Relevant Years. The PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% for the Relevant Years. Macau subsidiaries are subject to Macau Complementary Tax at the maximum progressive rate of 12% on the estimated assessable profit for the Relevant Years.

No provision for Hong Kong Profits Tax has been made for the Relevant Years as the Target Group have no assessable profits arising in Hong Kong or taxable profits were wholly absorbed by estimated tax losses brought forward.

No provision for Macau Complementary Tax has been made for the Relevant Years as the Target Group has no assessable profit arising in Macau.

No provision for the PRC Enterprise Income Tax has been made for the Relevant Years as the Target Group has no assessable profits arising in the PRC.

The income tax credit for the Relevant Years can be reconciled to the loss before tax per the consolidated income statements as follows:

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Continuing operation			
Loss before tax	(6,670)	(1,754)	(1,494)
Tax at Hong Kong Profits Tax rate of 16.5%	(1,100)	(289)	(247)
Tax effect of:			
Income not taxable for tax purpose	(67)	(32)	(30)
Expenses not deductible for tax purpose	692	320	382
Estimated tax losses previously not recognised	340	83	–
Utilisation of tax losses previously not recognised	–	(135)	(143)
Different tax rates of subsidiaries operating in other jurisdictions	(54)	(28)	(29)
Income tax credit for the Relevant Years	(189)	(81)	(67)

12. DIVIDEND

No final dividend was paid or proposed during the Relevant Years, nor any dividend been proposed by the board of directors subsequent to the Relevant Years.

13. DISCONTINUED OPERATION

On 6 June 2014, the Target Group entered into a sale and purchase agreement to dispose Star Hope Investments Limited, a wholly owned subsidiary of the Target Company, and its subsidiary ("**Star Hope Group**"), which carried out the property investment operation. The disposal of property investment operation is consistent with the Target Group's long term policy to focus its activities on the Target Group's Nam Pei Hong operation. The disposal was completed on 6 June 2014, on which date the control of Star Hope Group passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the gain on disposal, are disclosed in note 29 to the Financial Information.

On 6 June 2014, the Target Group entered into a sale and purchase agreement to dispose Smart Value Developments Limited, a wholly owned subsidiary of the Target Company, and its subsidiaries ("**Smart Value Group**"), to CSBVI, which carried out the property investment operation. The disposal of property investment operation is consistent with the Target Group's long term policy to focus its activities on the Target Group's Nam Pei Hong operation. The disposal was completed on 10 June 2014, on which date the control of Smart Value Group passed to the acquirer. Details of the assets and liabilities disposed of, and the calculation of the gain on disposal, are disclosed in note 29 to the Financial Information.

The profit for the period from the discontinued operation is analysed as follows:

	For the period from 1 January 2014 to the respective date of disposal *HK$'000*
Loss for the period from property investment operation	(1,705)
Gain on disposal of property investment operation	5,614
	3,909

The result of the property investment operation for the period from 1 January 2014 to the respective date of disposal of subsidiaries, which have been included in the Financial Information, were as follows:

	For the period from 1 January 2014 to the respective date of disposal
	HK$'000
Revenue	–
Other revenue	35
Loss arising on change in fair value of financial assets at fair value through profit or loss	(88)
Administrative expenses	(1,632)
Loss from operations	(1,685)
Finance costs	(20)
Loss before tax	(1,705)
Income tax expenses	–
Loss for the period	(1,705)

Loss for the period from discontinued operation include the followings:

	For the period from 1 January 2014 to the respective date of disposal
	HK$'000
Depreciation of property, plant and equipment	1,546
Operating lease rental in respect of premises	25

Cash flows from discontinued operation were as follows:

	For the period from 1 January 2014 to the respective date of disposal
	HK$'000
Net cash inflow from operating activities	19,846
Net cash inflow from investing activities	35
Net cash outflow from financing activities	(23,180)
Net cash inflows	(3,299)

14. LOSS PER SHARE

Loss per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful.

15. DIRECTORS' EMOLUMENTS

The emoluments of the directors, on a named basis for the Relevant Years are set out below:

For the year ended 31 December 2014:

	Fees	Salaries and other allowance	Retirement benefits scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Heung Wah Keung *(note i)*	–	–	–	–
Chen Ming Yin, Tiffany *(note i)*	–	–	–	–
Li Yuk Sheung *(note ii)*	–	–	–	–
Kott Ah Wah, Ava *(note ii)*	–	–	–	–
Ki Ying Hua, Wilson *(note ii)*	–	–	–	–
Ng Tin Shui *(note iii)*	–	–	–	–
	–	–	–	–

For the year ended 31 December 2015:

	Fees	Salaries and other allowance	Retirement benefits scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Heung Wah Keung *(note i)*	–	–	–	–
Chen Ming Yin, Tiffany *(note i)*	–	–	–	–
	–	–	–	–

For the year ended 31 December 2016:

	Fees	Salaries and other allowance	Retirement benefits scheme contribution	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Heung Wah Keung *(note i)*	–	–	–	–
Chen Ming Yin, Tiffany *(note i)*	–	–	–	–
	–	–	–	–

During the Relevant Years, no emolument was paid by the Target Group to the directors as an inducement to join or upon joining the Target Group or as compensation for loss of office. None of the directors have waived or agreed to waive any emoluments during the Relevant Years.

Notes:

(i) resigned on 11 June 2014 and reappointed on 20 November 2014

(ii) resigned on 11 June 2014

(iii) appointed on 11 June 2014 and resigned on 20 November 2014

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Furniture, fixture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013				
Cost	157,720	1,890	2,386	161,996
Accumulated depreciation	(1,867)	(1,095)	(888)	(3,850)
Net book value	155,853	795	1,498	158,146
Net book value at 1 January 2014	155,853	795	1,498	158,146
Additions	–	4,751	416	5,167
Disposals	–	–	(10)	(10)
Disposal of subsidiaries	(154,307)	–	–	(154,307)
Depreciation charge	(1,546)	(2,352)	(500)	(4,398)
Net book value at 31 December 2014	–	3,194	1,404	4,598
At 31 December 2014				
Cost	–	6,551	2,758	9,309
Accumulated depreciation	–	(3,357)	(1,354)	(4,711)
Net book value	–	3,194	1,404	4,598
Net book value at 1 January 2015	–	3,194	1,404	4,598
Additions	–	486	734	1,220
Depreciation charge	–	(2,182)	(550)	(2,732)
Net book value at 31 December 2015	–	1,498	1,588	3,086

	Buildings	Leasehold improvement	Furniture, fixture and equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2015				
Cost	–	6,877	3,487	10,364
Accumulated depreciation	–	(5,379)	(1,899)	(7,278)
Net book value	–	1,498	1,588	3,086
Net book value at 1 January 2016	–	1,498	1,588	3,086
Additions	–	494	369	863
Disposals	–	(18)	(84)	(102)
Depreciation charge	–	(1,376)	(592)	(1,968)
Net book value at 31 December 2016	–	598	1,281	1,879
At 31 December 2016				
Cost	–	2,433	3,652	6,085
Accumulated depreciation	–	(1,835)	(2,371)	(4,206)
Net book value	–	598	1,281	1,879

17. GOODWILL

	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 January/31 December	3,030	3,030	3,030
Accumulated impairment losses			
At 1 January	–	3,030	3,030
Impairment loss recognised	3,030	–	–
At 31 December	3,030	3,030	3,030
Carrying amount			
At 31 December	–	–	–

Impairment testing of goodwill

Before recognition of impairment losses, the carrying amount of goodwill were allocated to groups of CGUs as follows:

	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Nam Pei Hong operation	3,030	3,030	3,030

During the year ended 31 December 2014, as an annual impairment test assessed by the management of the Target Group determines to recognised impairment loss of approximately HK$3,030,000 on the goodwill and impairment loss has been recognised in profit or loss.

At 31 December 2014, the recoverable amount of the CGU of Nam Pei Hong operation has been determined based on a value in use calculation, which uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 13% per annum and cash flows beyond that five-year period are extrapolated using a steady 2% growth rate per annum. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

18. INTANGIBLE ASSETS

	Trademark	Customers relationship	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 January 2014, at 31 December 2014, at 1 January 2015, at 31 December 2015, at 1 January 2016 and at 31 December 2016	7,345	2,454	9,799
Accumulated amortisation and impairment losses			
At 1 January 2014	1,599	1,069	2,668
Charge for the year	652	491	1,143
At 31 December 2014 and at 1 January 2015	2,251	1,560	3,811
Charge for the year	–	491	491
At 31 December 2015 and at 1 January 2016	2,251	2,051	4,302
Charge for the year	–	403	403
At 31 December 2016	2,251	2,454	4,705
Carrying amounts			
At 31 December 2014	5,094	894	5,988
At 31 December 2015	5,094	403	5,497
At 31 December 2016	5,094	–	5,094

The following useful lives are used in the calculation of amortisation:

Trademark	10 years/indefinite
Customers relationship	5 years

Change in accounting estimates

To reflect the pattern in which those assets future economic benefits are expected to be consumed by the Target Group, the directors of the Target Company had revised its accounting estimates on the useful lives of trademarks. The change in accounting estimates is in accordance with HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and HKAS 38 *Intangible Assets*.

With effect from 20 November 2014, the useful lives of trademarks was changed from 10 years to indefinite under HKAS 38. The effect of the change in estimates on loss before tax in current and future periods of the Target Group is as follows:

	2014	**2015**	**2016**	**2017**	**2018**	**Later**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Decrease in loss before tax	83	735	735	735	735	2,073

Impairment testing of intangible assets with indefinite useful life

For the purpose of impairment testing, the trademark is allocated at acquisition to the CGU that is expected to benefit from such intangible asset.

The intangible assets with indefinite useful lives are considered by the directors of the Target Company as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The intangible assets with indefinite useful lives will not be amortised until its useful life are determined to be finite. Instead they will be tested for impairment annually and whenever there are indications that they may be impaired.

The directors of the Target Company assessed the recoverable amount of the trademark with reference to the valuation performed by Grant Sherman Appraisal Limited at 31 December 2014 and 2015 and JP Assets Consultancy Limited at 31 December 2016, a firm of independent qualified professional valuers, which valued the trademark by using discounted cash flow method and determined that no impairment loss should be recognised against the trademark. The recoverable amount of the CGU of the trademark from Nam Pei Hong operation has been determined based on value in use calculation, which uses cash flow projections based on financial budgets approved by directors of the Target Company covering a five-year period and discount rate of 13%, 18% and 20% at 31 December 2014, 2015 and 2016 per annum and cash flows beyond the five-year period are extrapolated using a zero, 2% and 3% growth rate respectively. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include gross margin, growth and discount rate, such estimation is based on past experience and the directors' expectations for the market development.

The directors of the Target Company believe that any reasonably possible change in any of these assumptions on which the recoverable amount is based would not cause the aggregate carrying amount of the trademark exceeds the aggregate recoverable amount.

19. INVENTORIES

	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Finished goods	68,008	61,049	59,003

Inventories are expected to be recovered within one year.

The cost of inventories sold of approximately HK$103,397,000, HK$101,655,000 and HK$93,623,000 are recognised as expenses and included in cost of sales for the years ended 31 December 2014, 2015 and 2016 respectively.

20. TRADE RECEIVABLES

The Target Group's trade receivables arose from Nam Pei Hong operation for the year.

	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	3,234	5,529	5,456
Less: Allowance for doubtful debts	(145)	–	(11)
	3,089	5,529	5,445

The following is an aging analysis of trade receivables, presented based on the invoice date, which approximates the respective revenue recognition dates and net of allowance for doubtful debts:

	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
0 to 30 days	1,387	3,278	3,831
31 to 60 days	889	1,245	640
61 to 90 days	92	758	527
Over 90 days	721	248	447
	3,089	5,529	5,445

The average credit period granted to customers ranges from 30 to 90 days.

The movement in the allowance for doubtful debts during the Relevant Years is as follows:

	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	145	145	–
Impairment loss recognised	–	–	11
Amount written-off as uncollectible	–	(145)	–
At 31 December	145	–	11

At 31 December 2016, included in the allowance for doubtful debts are individually impaired trade receivables with a balance of HK$11,000 which are past due at 31 December 2016. The allowance for doubtful debts are recognised because there has been a significant change in credit quality and the amounts are considered irrecoverable.

Trade receivables disclosed above include amounts (see below for aging analysis) which are past due at the end of the Relevant Years for which the Target Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Target Group does not hold any collateral over these balances.

The following is an aging analysis of trade receivables which are past due but not impaired:

	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Over 90 days	721	248	447

In determining the recoverability of a trade receivable, the directors considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the Relevant Years.

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Deposits paid	5,752	5,189	5,175
Prepayments	3,060	1,615	620
Other receivables	345	159	119
	9,157	6,963	5,914

22. AMOUNTS DUE FROM/(TO) FELLOW SUBSIDIARIES/NON-CONTROLLING INTERESTS/ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY

The amounts due from/(to) fellow subsidiaries/non-controlling interests/ultimate holding company/immediate holding company are unsecured, interest-free and repayable on demand.

23. CASH AND BANK BALANCES

Bank balances carry interest at floating rates and placed with creditworthy banks with no recent history of default.

For the purpose of the consolidated statements of cash flows, cash and bank balances include cash on hand and cash at banks. Cash and bank balances at each of the Relevant Years as shown in the consolidated statements of cash flows can be reconciled to the related items as follows:

	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Cash on hand and cash at banks	23,737	33,226	39,971

The Target Group's cash and bank balances denominated in RMB are approximately HK$1,982,000, HK$1,863,000 and HK$1,043,000 at the end of the Relevant Years.

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the foreign exchange control promulgated imposed by the PRC government. Majority of the Target Group's cash and bank balances denominated in RMB are located in Hong Kong which is not subject to the foreign exchange control.

24. SHARE CAPITAL

	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Authorised:			
50,000 ordinary shares of USD1 each	390	390	390
Issued and fully paid:			
1,000 ordinary shares USD1 each	8	8	8

25. DEFERRED TAX LIABILITIES

The followings are the major deferred tax balances recognised by the Target Group and movements thereon:

	Fair value adjustment on acquisition of subsidiaries
	HK$'000
At 1 January 2014	1,177
Credit to the consolidated income statements *(note 11)*	(189)
At 31 December 2014 and at 1 January 2015	988
Credit to the consolidated income statements *(note 11)*	(81)
At 31 December 2015 and at 1 January 2016	907
Credit to the consolidated income statements *(note 11)*	(67)
At 31 December 2016	840

The Target Group had unused estimated tax losses of approximately HK$52,620,000, HK$52,355,000 and HK$51,488,000 at 31 December 2014, 2015 and 2016 respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of tax losses due to the unpredictability of future profit streams and unrecognised tax losses could be carried forward indefinitely.

26. BANK BORROWINGS

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Unsecured bank borrowings repayable within one year	15,819	14,928	13,513

At the end of the Relevant Years, the Target Group had unsecured import trade loans of approximately HK$14,468,000, HK$14,928,000 and HK$13,513,000. The unsecured import trade loans are personally guaranteed by an ex-shareholder of NPH Holdings Limited, interest bearing at 2% per annum over one month Hong Kong Inter-bank Offered Rate ("**HIBOR**") and repayable on demand.

At 31 December 2014, the Target Group had unsecured bank borrowings of approximately HK$1,351,000 that granted under the Special Loan Guarantee Scheme of the Government of Hong Kong Special Administrative Region ("**HKSAR**"). The unsecured bank borrowings is 80% guaranteed by the government of HKSAR and 100% personally guaranteed by CSEL and an ex-shareholder of NPH Holdings Limited respectively. The unsecured bank borrowings is interest bearing at 2.5% per annum over one month HIBOR. The unsecured bank borrowings was fully settled during the year ended 31 December 2015.

All interest-bearing bank borrowings are denominated in HK$.

27. TRADE PAYABLES

The following is an aging analysis of trade payables, based on the invoice date:

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
0 to 30 days	6,422	8,074	11,122
31 to 60 days	601	2,385	4,148
61 to 90 days	–	–	–
Over 90 days	139	139	139
	7,162	10,598	15,409

The average credit period granted by suppliers ranges from 30 to 90 days.

28. ACCRUALS AND OTHER PAYABLES

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Accruals	2,286	3,222	2,133
Other payables	1,975	1,600	2,194
	4,261	4,822	4,327

29. DISPOSAL OF SUBSIDIARIES

Disposal of Star Hope Group

On 6 June 2014, the Target Group completed the disposal of entire equity interest in Star Hope Group and a shareholder loan of approximately HK$82,000,000 at a total consideration of HK$82,282,000. The net liabilities of Star Hope Group, at the date of disposal were as follows:

Consideration received:

	HK$'000
Cash received	82,282

Analysis of assets and liabilities over which control was lost:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	77,726
Deposits, prepayments and other receivables	219
Held for trading investments	3,426
Cash and bank balances	572
Accruals	(23)
Bank borrowing	(1,912)
Amount due to immediate holding company	(82,000)
Net liabilities disposed of	(1,992)

Gain on disposal of subsidiaries:

	HK$'000
Consideration received	82,282
Net liabilities disposed of	1,992
Amount due to immediate holding company assigned to the purchaser	(82,000)
Gain on disposal of subsidiaries	2,274

Net cash inflows arising on disposal:

	HK$'000
Cash consideration received	82,282
Less: Cash and bank balances disposed of	(572)
Net cash inflow	81,710

Disposal of Smart Value Group

On 10 June 2014, the Target Group completed the disposal of entire equity interest in Smart Value Group and a shareholder loan of approximately HK$77,992,000 to CSBVI at a total consideration of HK$80,000,000. The net liabilities of Smart Value Group, at the date of disposal were as follows:

	HK$'000
Consideration receivables	80,000
Total consideration	80,000

Analysis of assets and liabilities over which control was lost:

	HK$'000
Net liabilities disposed of:	
Property, plant and equipment	76,581
Deposits, prepayments and other receivables	17
Prepaid tax	82
Accruals	(20)
Amount due to immediate holding company	(77,992)
Net liabilities disposed of	(1,332)

Gain on disposal of subsidiaries:

	HK$'000
Consideration receivables	80,000
Net liabilities disposed of	1,332
Amount due to immediate holding company assigned to the purchaser	(77,992)
Gain on disposal of subsidiaries	3,340

There is no cash effect in relation to the disposal of Smart Value Group.

Disposal of China Star Movie (Macau) Limited (formerly known as Nam Pei Hong Sum Yung Drugs Company Limited)

On 29 September 2016, the Target Group completed the disposal of entire equity interest in China Star Movie (Macau) Limited ("CS Movie"), at a total consideration of approximately HK$24,000, China Star Entertainment Holding Limited and China Star Publishing Limited, the fellow subsidiaries of the Target Company. The net liabilities of CS Movie, at the date of disposal were as follows:

	HK$'000
Cash received	–
Consideration receivables	24
Total consideration	24

Analysis of assets and liabilities over which control was lost:

	HK$'000
Net liabilities disposed of:	
Amount due from immediate holding company	22
Amount due from a fellow subsidiary	2
Amount due to a fellow subsidiary	(30)
Net liabilities disposed of	(6)

Gain on disposal of a subsidiary:

	HK$'000
Consideration receivables	24
Net liabilities disposed of	6
Gain on disposal of a subsidiary	30

There is no cash effect in relation to the disposal of CS Movie.

30. LEASE COMMITMENTS

The Target Group as lessee

At the end of the Relevant Years, the Target Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Within one year	14,507	14,175	12,474
In the second to fifth year inclusive	13,672	7,195	5,921
	28,179	21,370	18,395

Operating lease payments represented rentals payable by the Target Group for its premises. Leases are mainly negotiated for an average term of one to three years. The Target Group does not have an option to purchase the leased premises at the expiry of the lease period.

In addition, the operating lease rentals for certain premises are based on the higher of a fixed rental and a contingent rent depending on the sales in these premises pursuant to the terms and conditions asset out in the respective rental agreements. As the future sales in these premises could not be reliably determined, the relevant contingent rent has not been included above and only the minimum lease payments have been included in the above commitments.

31. MAJOR NON-CASH TRANSACTIONS

The Target Group entered into the following major non-cash investing activities which are not reflected in the consolidated statements of cash flows:

(a) On 10 June 2014, the Target Group disposed of its entire equity interest in Smart Value Group, at a total consideration of HK$80,000,000 to CSBVI, the immediate holding company of the Target Company, of which the consideration was unsettled and was included in the amount due to immediate holding company.

(b) On 29 September 2016, the Target Group disposed of its entire equity interest in CS Movie, at a total consideration of approximately HK$24,000, to China Star Entertainment Holding Limited and China Star Publishing Limited, the fellow subsidiaries of the Target Company, of which the consideration was unsettled and was included in the amounts due from fellow subsidiaries.

32. MATERIAL RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the Financial Information, the Target Group entered into the following transaction with related parties:

(a) During the Relevant Years, the Target Group entered into the following transactions with its related parties:

	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Nature of transactions			
Income received or receivable from fellow subsidiaries:			
Sale of goods	511	402	135
Consideration for disposal of a subsidiary	–	–	2
Consideration receivable from immediate holding company for disposal of subsidiaries	80,000	–	22
Expense paid or payable to fellow subsidiaries:			
Purchase of goods	172	–	–

(b) Details of the balances with related parties at the Relevant Years is set out in note 22 to the Financial Information.

(c) Compensation to key management personnel of the Target Group represented directors' remunerations as disclosed in note 15 to the Financial Information.

33. PARTICULAR OF SUBSIDIARIES

Particulars of the subsidiaries of the Target Company are listed as follows:

Name of subsidiary	Place/ country of incorporation/ formation	Class of shares held	Proportion of ownership interest and voting power held by the Target Company			Issued and fully paid share capital/ registered capital	Principal activities	Statutory auditors
			2014 %	2015 %	2016 %			
China Star Movie (Macau) Limited (formerly known as Nam Pei Hong Sum Yung Drugs Company Limited) *(see note a)*	Macau	Quota capital	100	100	–	Macau Pataca 25,000	Film production and distribution (2014 and 2015: Ginseng & dried seafood trading and retail)	N/A
Geumsamwon (Korea) Company Limited	Hong Kong	Ordinary	–	100	100	HK$1	Trading	HLB Hodgson Impey Cheng Limited
Most Trade Enterprises Limited	Hong Kong	Ordinary	70	70	70	HK$20,000	Trading of ginseng and dried seafood products	HLB Hodgson Impey Cheng Limited
Nam Pei Hong Holdings Limited	Hong Kong	Ordinary	100	100	–	HK$1	Deregistered	N/A
Nam Pei Hong Investments Limited	Hong Kong	Ordinary	100	100	–	HK$1	Deregistered	N/A
Nam Pei Hong Sum Yung Drugs Company Limited	Hong Kong	Ordinary	100	100	100	HK$1,200,000	Ginseng and dried seafood trading and retail	HLB Hodgson Impey Cheng Limited
NPH Holdings Limited	BVI	Ordinary	100	100	100	US$50,000	Investment holding	N/A
NPH Sino-Meditech Limited	Hong Kong	Ordinary	100	100	100	HK$2	Investment holding	HLB Hodgson Impey Cheng Limited
Poo Yuk Loong Food (Shenzhen) Company Limited *(see note b)*	PRC	Registered	100	100	100	RMB3,000,000	Ginseng and dried seafood trading and retail	N/A
Poo Yuk Loong Limited	Hong Kong	Ordinary	100	100	100	HK$350,000	Provision of administration service	HLB Hodgson Impey Cheng Limited

Notes:

(a) Operates in Macau

(b) Wholly foreign owned enterprise operates in the PRC

NPH Holdings Limited is directly held by the Target Company. All other subsidiaries are indirectly held by the Target Company.

Except otherwise stated, the principal place of operation of the subsidiaries is Hong Kong.

None of the subsidiaries had debt securities outstanding at the end of the Relevant Years or at any time during the Relevant Years.

The directors of the Target Company consider that the non-controlling interests of Most Trade Enterprises Limited during the Relevant Years were insignificant to the Target Group and thus are not separately presented in this Financial Information. In addition, no separate financial information of these non-wholly owned subsidiaries is required to be presented.

34. STATEMENTS OF FINANCIAL POSITION AND RESERVES MOVEMENT OF THE TARGET COMPANY

(a) Statements of financial position of the Target Company

	At 31 December		
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Non-current asset			
Investment in a subsidiary	50,000	50,000	50,000
Current asset			
Amount due from a subsidiary	44,967	44,967	44,967
Total assets	94,967	94,967	94,967
Capital and reserves			
Share capital	8	8	8
Reserve	2,230	2,220	2,209
Total equity	2,238	2,228	2,217
Current liabilities			
Accruals	5	5	5
Amount due to ultimate holding company	–	10	21
Amount due to immediate holding company	92,724	92,724	92,724
Total liabilities	92,729	92,739	92,750
Total equity and liabilities	94,967	94,967	94,967
Net current liabilities	(47,762)	(47,772)	(47,783)
Total assets less current liabilities	2,238	2,228	2,217

(b) Movement of reserves of the Target Company

	(Accumulated losses)/ retained earnings
	HK$'000
At 1 January 2014	(36)
Profit and total comprehensive income for the year	2,266
At 31 December 2014 and at 1 January 2015	2,230
Loss and total comprehensive loss for the year	(10)
At 31 December 2015 and at 1 January 2016	2,220
Loss and total comprehensive loss for the year	(11)
At 31 December 2016	2,209

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company or any subsidiaries of the Target Company have been prepared in respect of any period subsequent to 31 December 2016 and up to the date of this report. In addition, no dividends or other distributions have been declared, made or paid by the Target Company in respect of any period subsequent to 31 December 2016.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hon Koon Fai, Alex
Practising Certificate Number: P05029
Hong Kong

Set out below is the management discussion and analysis of the Target Group for the three years ended 31 December 2014, 2015 and 2016, which is based on the accountants' report of the Target Group as set out in Appendix II to this circular.

GENERAL INFORMATION

The Target Company is company incorporated in the British Virgin Islands on 12 March 2013 with limited liability, the entire issued share capital of which is beneficially owned by the Vendor immediately prior to Acquisition Completion. The Target Group is principally engaged in the sales of Chinese and other medicines, pharmaceutical products, health products, ginseng and dried seafood products to wholesaler and retailer as well as Chinese clinical services. One of the subsidiaries of the Target Company, Nam Pei Hong Sum Yung Drugs Company Limited engages in the business of trading and retail of "Sum Yung"(參茸) and dried seafood products since 1977 and the brand name of "Nam Pei Hong"(南北行) is highly recognised in Hong Kong and Southern Mainland China.

BUSINESS REVIEW

Year ended 31 December 2015 ("FY2015") versus year ended 31 December 2014 ("FY2014")

Revenue decreased from approximately HK$160.9 million in FY2014 to approximately HK$160.8 million in FY2015, representing a slight decrease of approximately 0.1%. Such decrease was mainly attributable to the decrease in number of roadshow sales and exhibition sales.

Gross profit margin increased from approximately 31.8% in FY2014 to approximately 32.8% in FY2015, representing a slight increase of approximately 3.0%. Such increase was mainly attributable to the decrease in cost of sales.

Other revenue and other income increased from approximately HK$18,000 in FY2014 to approximately HK$52,000 in FY2015, representing an increase of approximately 1.8 times. Such increase was mainly attributable to increase in cash coupon and interest income from RMB saving account.

Marketing, selling and distribution expenses increased from approximately HK$44.7 million in FY2014 to approximately HK$45.3 million in FY2015, representing an increase of approximately 1.3%. Such increase was mainly attributable to increase in rental expense.

Finance costs increased from approximately HK$310,000 in FY2014 to approximately HK$327,000 in FY2015, representing an increase of approximately 5.5%. Such increase was mainly attributable to increase in trust receipt interest expense.

Loss for the year narrowed from approximately HK$2.6 million in FY2014 to approximately HK$1.7 million in FY2015. Such improvement was mainly attributable to effective cost control on administrative expenses.

Year ended 31 December 2016 ("FY2016") versus year FY2015

Revenue decreased from approximately HK$160.8 million in FY2015 to approximately HK$149.8 million in FY2016, representing a decrease of approximately 6.8%. Such decrease was mainly attributable to no roadshow sales in FY2016 and two shops being closed in FY2016.

Gross profit margin increased from approximately 32.8% in FY2015 to approximately 33.6% in FY2016, representing a slight increase of approximately 2.4%. Such increase was mainly attributable to the increased sales of valuable products, e.g. "Sum Yung" (參茸) and new products which have a relatively higher gross profit margin.

Other revenue and other income decreased from approximately HK$52,000 in FY2015 to approximately HK$25,000 in FY2016, representing a decrease of approximately 51.9%. Such decrease was mainly attributable to decrease in cash coupon income.

Marketing, selling and distribution expenses decreased from approximately HK$45.3 million in FY2015 to approximately HK$42.6 million in FY2016, representing a decrease of approximately 6.0%. Such decrease was mainly attributable to the decrease in rental expense.

Finance costs decreased from approximately HK$327,000 in FY2015 to approximately HK$288,000 in FY2016, representing a decrease of approximately 11.9%. Such decrease was mainly attributable to the decrease in bank interest.

Loss for the year narrowed from approximately HK$1.7 million in FY2015 to approximately HK$1.4 million in FY2016. Such improvement was mainly attributable to the decrease in purchase of inventories and hence shipping cost as well as the decrease in marketing expenses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, 2015 and 2016, the Target Group's current assets amounted to approximately HK$104.0 million, HK$107.1 million and HK$110.4 million respectively, which mainly comprised inventories and cash and bank balances. As at 31 December 2014, 2015 and 2016, the Target Group's current liabilities amounted to approximately HK$120.3 million, HK$123.1 million and HK$126.2 million respectively, which mainly comprised amount due to immediate holding company.

As at 31 December 2014, 2015 and 2016, the Target Group had net current liabilities of approximately HK$16.2 million, HK$16.0 million and HK$15.8 million respectively.

CAPITAL STRUCTURE

The primary objectives of the Target Group's capital management are to safe-guard the Target Group's ability to operate and provide returns for shareholders and benefits for other shareholders and to maintain an optimal capital structure to reduce the cost of capital.

As at 31 December 2014, 2015 and 2016, the carrying amount of bank borrowings amounted to approximately HK$15.8 million, HK$14.9 million and HK$13.5 million respectively. The bank borrowings as 31 December 2014, 2015 and 2016 were denominated in Hong Kong dollar.

As at 31 December 2014, 2015 and 2016, the cash and cash equivalents of the Target Group amounted to approximately HK$23.7 million, HK$33.2 million and HK$40.0 million respectively, which comprised cash on hand and bank balance held by the Target Group.

GEARING RATIO

As at 31 December 2014, 2015 and 2016, the gearing ratio of the Target Group, calculated as the total bank borrowings divided by shareholders' equity, were approximately 2.7 times, 2.0 times and 1.5 times respectively.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

During the three years ended 31 December 2014, 2015 and 2016, the Target Group did not have any material acquisition and disposal of subsidiaries and associated companies. As at 31 December 2014, 2015 and 2016, the Target Group did not hold any significant investments or plan for material investments or capital assets in future period.

CHARGE OF ASSETS

As at 31 December 2014, 2015 and 2016, the Target Group did not charge any assets.

EXCHANGE RATE RISK AND HEDGING

During the three years ended 31 December 2014, 2015 and 2016, the majority of the Target Group's transactions, assets and liabilities are denominated in Renminbi and Hong Kong dollars. The Target Group is exposed to foreign currency risk arising from the movements in the exchange rates of these different currencies against the functional currencies of the Target Group's entities. The Target Group manages its foreign currency risks by closely monitoring the movement of the foreign currency rates. Accordingly, no financial instruments for hedging purposes have been used by the Target Group.

CONTINGENT LIABILITIES

As at 31 December 2013 and 2014 and 2015, the Target Group did not have any contingent liabilities.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2014, 2015 and 2016, the Target Group recorded employee benefit expenses (including salaries, wages and other benefits) of approximately HK$19.4 million, HK$18.5 million and HK$18.5 million respectively. Employees were stationed in Hong Kong and the PRC. The remuneration, promotion and salary increments of employees were assessed according to the individual's performance, as well as professional and working experience, and in accordance with prevailing industry practices.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2014, 2015 and 2016, the Target Group did not have any material investments or capital assets.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is an illustrative and unaudited pro forma financial information of China Healthwise Holdings Limited (formerly known as Haier Healthwise Holdings Limited) (the "**Company**") and its subsidiaries (together referred to as the "**Group**") and Ace Season Holdings Limited (the "**Target Company**") and its subsidiaries (together referred to as the "**Target Group**") (hereinafter collectively referred to as the "**Enlarged Group**"), which has been prepared on the basis of the notes set out below for the purpose of illustrating the financial effects of the acquisition of the entire issued share capital of the Target Company and sale loan (the "**Acquisition**"), as if it had taken place on 30 September 2016. The unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") has been prepared by the directors of the Company in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), on the basis which is consistent with the accounting policies and presentation format of the Group.

The Unaudited Pro Forma Financial Information are prepared based on the unaudited condensed consolidated statement of financial position of the Group at 30 September 2016 as set out in the Company's interim report for the six months ended 30 September 2016, the audited consolidated statement of financial position of the Target Group at 31 December 2016 as set out in Appendix II to the circular, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes. A narrative description of the pro forma adjustments of the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purpose only and is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 30 September 2016, nor purport to predict the Enlarged Group's future financial position of operations.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the interim report of the Company for the six months ended 30 September 2016 and other financial information included elsewhere in the circular.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Enlarged Group following completion of the Acquisition.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	Unaudited condensed consolidated statement of financial position of the Group at 30 September 2016 *HK$'000* *(Note 1)*	Audited consolidated statement of financial position of the Target Group at 31 December 2016 *HK$'000* *(Note 2)*	Sub-total *HK$'000*	*Notes*	Unaudited pro forma adjustments *HK$'000*	Unaudited pro forma consolidated statement of financial position of the Enlarged Group *HK$'000*
Non-current assets						
Property, plant and equipment	137,913	1,879	139,792			139,792
Goodwill	58,697	–	58,697	4	1,983	60,680
Intangible assets	7,575	5,094	12,669			12,669
Interest in an associate	19,357	–	19,357			19,357
Deferred tax assets	2,542	–	2,542			2,542
	226,084	6,973	233,057			235,040
Current assets						
Inventories	98,573	59,003	157,576			157,576
Trade and other receivables, deposits and prepayments	110,378	11,359	121,737	5	31	121,768
Available-for-sale investments	210,599	–	210,599			210,599
Amounts due from fellow subsidiaries	–	31	31	5	(31)	–
Amounts due from related companies	51,983	–	51,983			51,983
Tax recoverable	654	–	654			654
Cash and cash equivalents	131,505	39,971	171,476	3	(85,000)	
				6	(1,000)	85,476
	603,692	110,364	714,056			628,056
Current liabilities						
Trade payables	54,821	15,409	70,230			70,230
Other payables and accrued charges	63,477	4,327	67,804	5	21	67,825
Amount due to ultimate holding company	–	21	21	5	(21)	–
Amount due to immediate holding company	–	92,724	92,724	4	(92,724)	–
Amounts due to related companies	100,393	–	100,393			100,393
Amounts due to non-controlling interests	–	210	210			210
Borrowings	65,006	13,513	78,519			78,519
Tax payable	38	–	38			38
	283,735	126,204	409,939			317,215
Net current assets/(liabilities)	319,957	(15,840)	304,117			310,841
Total assets less current liabilities	546,041	(8,867)	537,174			545,881

	Unaudited condensed consolidated statement of financial position of the Group at 30 September 2016	Audited consolidated statement of financial position of the Target Group at 31 December 2016	Sub-total		Unaudited pro forma adjustments	Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*				
Non-current liabilities						
Provision for long service payment	4,117	–	4,117			4,117
Deferred tax liabilities	13,808	840	14,648			14,648
	17,925	840	18,765			18,765
Net assets/(liabilities)	528,116	(9,707)	518,409			527,116

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group at 30 September 2016 as set out in the Company's published interim report for the six months ended 30 September 2016.

2. The amounts are extracted from the Accountants' Report on the Target Group as set out in Appendix II in this circular.

3. The adjustment represents the consideration of HK$85,000,000 (the "**Consideration**"), which will be settled in the following manner:

   (i) as to HK$75,000,000, being the deposit and part payment toward the Consideration, shall be payable by the Company to China Star Entertainment (BVI) Limited (the "**Vendor**") (or its nominee) upon signing of the sale and purchase agreement; and

   (ii) as to the remaining balance of the Consideration of HK$10,000,000, which shall be payable by the Company to the Vendor (or its nominee) upon completion of the Acquisition.

4. Upon completion of the Acquisition, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) – *Business Combinations.*

   For the purpose of the Unaudited Pro Forma Financial Information, the directors of the Company have estimated the fair values of the identifiable assets and liabilities of the Target Group, after taking reference of the valuation report at 31 December 2016 prepared by APAC Asset Valuation and Consulting Limited, an independent professional valuer not connected with the Enlarged Group. No separate valuation report at 30 September 2016 was prepared for the purpose of the Unaudited Pro Forma Financial Information. Had these reports been prepared, the amounts of the fair values of the identifiable assets and liabilities at the completion date of the Acquisition and, accordingly, the amount of the Consideration over the fair value of net identifiable assets acquired i.e. goodwill for the compilation of the Unaudited Pro Forma Financial Information of the Enlarged Group at the completion date of the Acquistion may be different from the amounts presented above and the difference may be significant.

   The excess amount of the Consideration over the Group's share of the fair value of the net identifiable assets of the Target Group is recognised as a goodwill.

   The goodwill arising on the Acquisition is calculated as follows:

	HK$'000
Consideration payable by cash	85,000
Less: fair value of identified assets acquired and liabilities assumed *(Note)*	(83,017)
Goodwill	1,983

Note:

	HK$'000
Carrying amounts of the net tangible liabilities of the Target Group at 31 December 2016	(9,707)
Add: Amount due to immediate holding company assigned to the Group *(note a)*	92,724
Identified assets acquired and liabilities assumed as at 31 December 2016	83,017

(a) The adjustment represents the assignment of the amount due to immediate holding company of approximately HK$92,724,000 from the Vendor to the Company.

The goodwill is tested for impairment at least annually or whenever events or changes in circumstances indicates that its carrying amount may not be recoverable in accordance with the accounting policies of the Enlarged Group and the requirements of Hong Kong Accounting Standard ("**HKAS**") 36 *Impairment of Assets*. The results of the Enlarged Group may be affected by impairment loss whenever the recoverable amount of the goodwill is lower than its carrying amount.

The directors of the Company have performed the necessary assessment on impairment of goodwill in accordance with the accounting policies of the Enlarged Group and the requirements under HKAS 36. With reference to the valuation report prepared by APAC Asset Valuation and Consulting Limited, the directors of the Company are of the opinion that no impairment of goodwill is required as the recoverable amount of the Target Group exceeds the goodwill arising on the Acquisition and the fair values of the identifiable assets and liabilities of the Target Group acquired by the Group.

The fair values of other assets and liabilities are assumed to be approximately to that of carrying amounts as of the completion date of the Acquisition.

5. The adjustment represents the reclassification from amounts due from fellow subsidiaries and amounts due to ultimate holding company to other receivables and other payables upon completion of the Acquisition.

6. The adjustment represents estimated acquisition related cost incurred in connection with the Acquisition of approximately HK$1,000,000 which would be recognised in the Enlarged Group's consolidated statement of comprehensive income upon completion of the Acquisition. This adjustment does not have continuing effect on the Enlarged Group.

7. On 13 December 2016, the Company completed to subscribe 800,000,000 subscription shares allotted and issued by Global Mastermind Holdings Limited ("**GMHL**") at HK$0.14 per subscription share with the amount of approximately HK$112,000,000. The effect of subscription of GMHL share is not included in the Unaudited Pro Forma Financial Information of the Enlarged Group as they are not directly related to the Acquisition.

8. On 19 December 2016, the Company completed to subscribe 195,500,000 subscription shares allotted and issued by Global Mastermind Capital Limited ("**GMCL**") at HK$0.45 per subscription share with the amount of approximately HK$87,975,000. The effect of subscription of GMCL share is not included in the Unaudited Pro Forma Financial Information of the Enlarged Group as they are not directly related to the Acquisition.

9. On 2 May 2017, the Company completed the subscription of 363,636,363 new shares under general mandate at the subscription price of HK$0.165 per subscription share with the net proceed of approximately HK$59,999,000. The effect of the subscription is not included in the Unaudited Pro Forma Financial Information of the Enlarged Group as they are not directly related to the Acquisition.

10. No adjustment have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2016.

The following is the text of a report received from the reporting accountants of the Company, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this Circular.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31 Floor
Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

9 June 2017

The Board of Directors
China Healthwise Holdings Limited
(Formerly known as "Haier Healthwise Holdings Limited")

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF CHINA HEALTHWISE HOLDINGS LIMITED (FORMERLY KNOWN AS HAIER HEALTHWISE HOLDINGS LIMITED)

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Healthwise Holdings Limited (formerly known as Haier Healthwise Holdings Limited) (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of financial position at 30 September 2016 (the "**Unaudited Pro Forma Financial Information**"), and related notes as set out in Appendix IV of the circular issued by the Company (the "**Circular**"). The applicable criteria on the basis of which the directors of the Company have compiled the Unaudited Pro Forma Financial Information are described in Appendix IV of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the major transaction in relation to the acquisition of the entire issued share capital of Ace Season Holdings Limited and sale loan (the "**Acquisition**") at 30 September 2016 as if the Acquisition had taken place on 30 September 2016. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's unaudited condensed consolidated statement of financial position at 30 September 2016, on which interim report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited 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 (the "**HKICPA**")

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited 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 Unaudited 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 plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited 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 the 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 Unaudited 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 Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group 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 event or transaction at 30 September 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited 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 of the Company in the compilation of the Unaudited 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 Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Company, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited 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 Unaudited Pro Forma Financial Information has been properly comiled 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 Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hon Koon Fai, Alex
Practising Certificate Number: P05029
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes 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.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or the chief executive of the Company have taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Save as disclosed below, as at the Latest Practicable Date, so far as was known to the Directors, there was no other person, other than the Directors or the chief executive of the Company and (in the case of the other members of the Group) other than the Company, who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name of the Shareholder	Capacity/ nature of interest	Number of Shares held as at the Latest Practicable Date: Direct interest	Deemed interest	Total interest	Approximate percentage of the issued share capital of the Company as at the Latest Practicable Date
Eternity Finance Group Limited	Beneficial owner	800,000,000 *(Note 1)*	–	800,000,000	12.7%
Riche (BVI) Limited	Interest in controlled corporations		800,000,000 *(Note 1)*	800,000,000	12.7%
Eternity Investments Limited	Interest in controlled corporations		800,000,000 *(Note 1)*	800,000,000	12.7%
Lung Cheong Investment Limited	Beneficial owner	775,332,240 *(Note 2)*	–	775,332,240	12.3%
Rare Diamond Limited	Interest in controlled corporations	–	775,332,240 *(Note 2)*	775,332,240	12.3%
Mr. Leung Lun, M.H.	Interest in controlled corporations	–	775,332,240 *(Note 2)*	775,332,240	12.3%
Mr. Leung Chung Ming	Interest in controlled corporations	–	775,332,240 *(Note 2)*	775,332,240	12.3%

Note:

1. These Shares were directly owned by Eternity Finance Group Limited, a wholly-owned subsidiary of Riche (BVI) Limited, which in turn is wholly-owned by Eternity Investments Limited, the shares of which are listed on the Main Board of the Stock Exchange under stock code: 764.

2. These Shares are directly owned by Lung Cheong Investment Limited, a wholly-owned subsidiary of Rare Diamond Limited, which in turn is beneficially owned as to 70% by Mr. Leung Lun, M.H., a former executive Director and directors of several subsidiaries of the Company, and 30% by Mr. Leung Chung Ming, the brother of Mr. Leung Lun, M.H.

4. DISCLOSURE OF OTHER INTERESTS

(i) Interests in competing business

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or their respective close associates had an interest in any business, which competes or is likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules, as if the Directors were controlling Shareholders.

(ii) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 March 2016 (being the date to which the latest published audited accounts of the Company were made up).

(iii) Interests in contract or arrangement

As at the Latest Practicable Date, there was no contract or arrangement in which any Director was materially interested and which was significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(i) the subscription agreement dated 12 October 2016 and entered into between the Company as the subscriber and Global Mastermind Holdings Limited (stock code: 8063) as the issuer, pursuant to which the Company agreed to subscribe and Global Mastermind Holdings Limited agreed to allot and issue a total of 800,000,000 new ordinary shares of Global Mastermind Holdings Limited at the subscription price of HK$0.14 per share;

(ii) the subscription agreement dated 17 October 2016 and entered into between the Company as the subscriber and Global Mastermind Capital Limited (stock code: 905) as the issuer, pursuant to which the Company agreed to subscribe and Global Mastermind Capital Limited agreed to allot and issue a total of 195,500,000 new ordinary shares of Global Mastermind Capital Limited at the subscription price of HK$0.45 per share;

(iii) the subscription agreement dated 29 March 2017 and entered into between the Company as the issuer and Mr. So Chi Ming (蘇志明) as the subscriber, pursuant to which the Company agreed to allot and issue and Mr. So Chi Ming (蘇志明) agreed to subscribe a total of 363,636,363 new Shares at the subscription price of HK$0.165 per Share;

(iv) the S&P Agreement;

(v) the framework purchase agreement dated 3 April 2017 and entered into between the LC Global Holdings Corporation, a wholly-owned subsidiary of the Company, as purchaser and Lung Cheong (BVI) Holdings Limited as supplier, pursuant to which LC Global Holdings Corporation and its subsidiaries agreed to purchase consumer electronic products, radio control/wireless products, electronic and plastic toys from Lung Cheong (BVI) Holdings Limited and its subsidiaries for a period of three years commencing from 1 April 2017 to 31 March 2020;

(vi) the Letter of Intent; and

(vii) the placing agreement dated 11 May 2017 and entered into between the Company as the issuer and Kingston Securities Limited as the placing agent, pursuant to which Kingston Securities Limited has conditionally agreed to place, on a best effort basis, up to 819,914,000 new Shares to currently expected not fewer than six placees who and whose ultimate beneficial owners are independent third parties at the placing price of HK$0.14 per Share.

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or claims of material importance as known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

HLB Hodgson Impey Cheng Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and/or the reference to its name or opinion in the form and context in which they respectively appear.

As at the Latest Practicable Date, HLB Hodgson Impey Cheng Limited was not beneficially interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, HLB Hodgson Impey Cheng Limited did not have any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2016 (being the date to which the latest published audited accounts of the Company were made up).

9. MISCELLANEOUS

(a) The secretary of the Company is Ms. Lo Ming Wan, who is a member of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries.

(b) In case of any inconsistency between the English and Chinese versions of this circular, the English version shall prevail.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Unit 3811, Shun Tak Center, West Tower, 168-200 Connaught Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association;

(b) the annual reports of the Company for the three financial years ended 31 March 2014, 2015 and 2016;

(c) the accountants' report of the Target Group from HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II to this circular;

(d) the report from HLB Hodgson Impey Cheng Limited in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(e) the written consents referred to in the paragraph headed "8. Expert and consent" in this appendix;

(f) the material contracts referred to in the paragraph headed "6. Material contracts" in this appendix; and

(g) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since 31 March 2016, being the date of the latest published audited accounts, including this circular.

CHINA HEALTHWISE HOLDINGS LIMITED
中國智能健康控股有限公司

(Formerly known as "Haier Healthwise Holdings Limited
海爾智能健康控股有限公司")

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 348)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of China Healthwise Holdings Limited (the "**Company**") will be held at Meeting Room (Soho 2), 6/F., ibis Hong Kong Central & Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Wednesday, 28 June 2017 at 12:00 noon for the purpose of considering and, if appropriate, passing with or without modifications the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT:**

(a) the acquisition by the Company of (i) the entire issued share capital of Ace Season Holdings Limited; (ii) all amounts due and owing by Ace Season Holdings Limited to the vendor (China Star Entertainment (BVI) Limited) as at completion of the acquisition of Ace Season Holdings Limited on terms more particularly set out in the Company's circular dated 9 June 2017 (the "**Circular**") (a copy of the Circular marked "A" and initialed by the Chairman of the meeting for identification purpose has been tabled at the meeting) (the "**Acquisition**") be and are hereby approved; and

(b) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents, including under seal where applicable, as he/they consider(s) necessary, desirable or expedient in his/their opinion to implement and/or give effect to the Acquisition."

By Order of the Board
China Healthwise Holdings Limited
Lei Hong Wai
Chairman and Executive Director

Hong Kong, 9 June 2017

Notes:

(1) At the extraordinary general meeting of the Company (''EGM''), the Chairman of the EGM will put each of the above resolution to be voted by way of a poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) A member of the Company entitled to attend and vote at the EGM (or any adjournment thereof) is entitled to appoint another person as his/her/their proxy to attend and vote instead of him/her/them. A member who is the holder of two or more shares in the capital of the Company may appoint more than one proxy to attend and vote on the same occasion. A proxy need not be a member of the Company.

(3) To be valid, the form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before time fixed for holding the EGM (or any adjournment thereof). Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event the form of proxy shall be deemed to be revoked.

(4) The register of members of the Company will be closed from Friday, 23 June 2017 to Wednesday, 28 June 2017 (both days inclusive), for the purpose of determining shareholders' entitlement to attend and vote at the EGM, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 22 June 2017.

(5) Where there are joint holders of any share in the Company, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she/they were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of other holder(s) and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

(6) A circular containing the particulars in connection with the acquisition of (a) the entire equity interest in Ace Seasons Holdings Limited; and (b) the shareholder's loan owned by Ace Seasons Holdings Limited to China Star Entertainment (BVI) Limited has been despatched to members of the Company.

(7) As at the date of this notice, the executive Directors are Mr. Lei Hong Wai (Chairman), Mr. Leung Alex (Vice Chairman), Mr. Tse Chi Keung, Mr. Lee Chan Wah and Ms. Lo Ming Wan; the non-executive Director is Mr. Diao Yunfeng; and the independent non-executive Directors are Mr. Wong Tak Chuen, Mr. Lai Hok Lim and Mr. Lien Wai Hung.