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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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## **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)**

### **RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS; RE-ELECTION OF RETIRING DIRECTORS; AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE  
AND THE INDEPENDENT SHAREHOLDERS**

**VEDA | CAPITAL**  
**智 略 資 本**

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A letter from the Independent Board Committee is set out on page 12 of this circular. A letter from Veda Capital Limited containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 28 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at Level 20, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong at 3:00 p.m. on Friday, 26 May 2017 is set out on pages 37 to 39 of this circular. A form of proxy for use by the Shareholders at the extraordinary general meeting is enclosed herein. Whether or not you intend to attend and vote at the extraordinary general meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's 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 later than 48 hours before the time for holding the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting should you so wish.

27 April 2017

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## DEFINITIONS

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

“Annual Caps”	the annual aggregate maximum amount of purchase of the Products payable by the Purchaser Group to the Supplier Group under the New Master Purchase Agreement
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	China Healthwise Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company from time to time
“EGM”	an extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, to approve and pass the resolutions contained in the EGM Notice, or any adjournment thereof
“EGM Notice”	the notice of the EGM set out in pages 37 to 39 of this circular
“Existing Master Purchase Agreement”	the framework purchase agreement dated 23 October 2014 entered into between the Purchaser and the Supplier in relation to the purchase of the Products by the Purchaser Group from the Supplier Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company which comprises all the independent non-executive Directors for the purpose of advising the Independent Shareholders in relation to the New Master Purchase Agreement and the transactions contemplated thereunder, including the Annual Caps

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## DEFINITIONS

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“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a licensed corporation to carry on type 6 regulated activity under the SFO, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the New Master Purchase Agreement and the Annual Caps
“Independent Shareholders”	Shareholders other than the Supplier and its associates
“Indonesia”	the Republic of Indonesia
“Latest Practicable Date”	24 April 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Master Purchase Agreement”	the framework purchase agreement dated 3 April 2017 entered into between the Purchaser and the Supplier in relation to the purchase of the Products by the Purchaser Group from the Supplier Group
“OBM”	Original Brand Manufacturing
“PRC”	the People’s Republic of China and for the purpose of this circular, exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Products”	consumer electronic products, radio control/wireless products, electronic and plastic toys of the Supplier Group
“Purchaser”	LC Global Holdings Corporation, being a wholly-owned subsidiary of the Company
“Purchaser Group”	the Purchaser and its subsidiaries
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“Share(s)”	ordinary shares of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supplier”	Lung Cheong (BVI) Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, being held by Brisk Mark Holdings Limited which is owned as to 30% by Mr. Leung Chung Ming and 70% by Mr. Leung, Kenneth Yuk Wai
“Supplier Group”	the Supplier and its subsidiaries
“%” or “per cent”	percentage

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## LETTER FROM THE BOARD

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# 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)**

*Executive Directors*

Mr. Lei Hong Wai (*Chairman*)

Mr. Leung Alex (*Vice Chairman*)

Mr. Tse Chi Keung

Mr. Lee Chan Wah

Ms. Lo Ming Wan

*Registered Office*

P.O. Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

*Non-executive Director*

Mr. Diao Yunfeng

*Head office and principal place  
of business in Hong Kong*

Unit 3811

*Independent Non-executive Directors*

Mr. Wong Tak Chuen

Mr. Lai Hok Lim

Mr. Lien Wai Hung

Shun Tak Centre, West Tower

168-200 Connaught Road Central

Hong Kong

27 April 2017

*To the Shareholders*

Dear Sir or Madam,

**RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS;  
RE-ELECTION OF RETIRING DIRECTORS;**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you the requisite information regarding the resolutions to be proposed at the EGM including the renewal of the existing continuing connected transactions, re-election of the retiring Director and the EGM Notice.

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## LETTER FROM THE BOARD

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### RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 3 April 2017 in relation to the continuing connected transactions contemplated under the New Master Purchase Agreement.

Reference is made to the circular of the Company dated 11 December 2014 in relation to the Existing Master Purchase Agreement. As the Existing Master Purchase Agreement has expired on 31 March 2017, the Board is pleased to announce that, on 3 April 2017, the Purchaser, a wholly-owned subsidiary of the Company, and the Supplier entered into the New Master Purchase Agreement pursuant to which the Supplier Group agreed to sell the Products to the Purchaser Group and the Purchaser Group agreed to purchase the Products from Supplier Group for a period of three years commencing from 1 April 2017 to 31 March 2020.

Summarised below are the principal terms of the New Master Purchase Agreement.

### THE NEW MASTER PURCHASE AGREEMENT

**Date:**

3 April 2017

**Parties:**

Purchaser: LC Global Holdings Corporation

Supplier: Lung Cheong (BVI) Holdings Limited

### Major terms of the New Master Purchase Agreement

Pursuant to the terms of the New Master Purchase Agreement, the Supplier Group agreed to sell the Products to the Purchaser Group and the Purchaser Group agreed to purchase the Products from the Supplier Group for a period of three years commencing from 1 April 2017 to 31 March 2020.

The prices of the products to be offered to the Group under the New Master Purchase Agreement will be determined after arm's length negotiations between the parties from time to time with reference to the prevailing market price of similar products and will be no less favourable to the Company than terms available from independent third parties to the Company having regard to the quantity, specifications and/or other conditions of the products to be offered.

The payment terms of the individual transactions under the New Master Purchase Agreement will be determined by the parties at the time of entering into transactions with reference to factors such as the relevant transactions amount, nature and specification requirement for the particular transactions.

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## LETTER FROM THE BOARD

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### Conditions precedent

The New Master Purchase Agreement is conditional upon:

- (a) the passing of the resolution(s) of the Independent Shareholders at the EGM to approve, ratify and confirm the entering into the New Master Purchase Agreement and the transactions contemplated thereunder; and
- (b) all relevant regulatory requirements in relation to the transactions contemplated in the New Master Purchase Agreement (including but not limited to those under the Listing Rules and all relevant regulatory requirements in Hong Kong) having been complied with and satisfied.

If the above conditions are not fulfilled on or before 30 June 2017 or such later date as agreed between the Supplier and the Purchaser, the New Master Purchase Agreement shall terminate with immediate effect, neither party shall have any rights or obligations against the other under the New Master Purchase Agreement except for any antecedent breach.

### The Annual Caps

It is expected that the total value of the Products to be supplied and sold by the Supplier Group to the Purchaser Group pursuant to the terms of the New Master Purchase Agreement shall not exceed the amounts set out below:

	For the year ending 31 March		
	2018	2019	2020
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Annual Caps	66	72	80

The Annual Caps were determined with reference to (i) the historical transaction amounts under the Existing Master Purchase Agreement for the three years ended 31 March 2017; (ii) the estimated volume of the Products required by the Group; (iii) the prevailing market prices of the Products with terms no less favourable to the Company than terms available from independent third parties to the Company having regard to the quantity, specifications and/or other conditions of the Products to be offered; and (iv) the estimated costs for the supply of such products for each of the relevant financial years under the New Master Purchase Agreement.

It is estimated that there will be continuous growth in the total sales of the Purchaser Group for the years ending 31 March 2018, 2019 and 2020, respectively, primarily due to: (a) the encouraging market response from customers to the Group's newly introduced product lines; (b) the Group's objective to increase sales from further penetration into the US mass market and internet retail networks; and (c) the Group estimate that the European and US markets would



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## LETTER FROM THE BOARD

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recover; and (d) an increase in the projected total purchase of the Purchaser Group for the year ending 31 March 2018, 2019 and 2020, taking into accounts factors such as expected increase in the labour cost in the PRC.

The historical transaction amount of purchases by the Group from the Supplier Group for the financial years ended 31 March 2015, 2016 and year ended 31 March 2017/11 months ended 28 February 2017 are as follows:

	<b>For the year ended 31 March 2015 HK\$ million</b>	<b>For the year ended 31 March 2016 HK\$ million</b>	<b>For the year ended 11 months ended 28 February 2017 HK\$ million</b>
Annual Caps under the Existing Master Purchase Agreement	60	75	95
Historical transaction amounts under the Existing Purchase Agreement	48	49	42 (up to 28 February 2017)

### PRICING BASIS

In order to ensure the transactions under the New Master Purchase Agreement are under normal commercial terms and priced with reference to the prevailing market price of similar products on terms no less favourable to the Company than terms available from independent third parties to the Company, the Company will continue to adopt the following pricing policies for the purchase of each of the Products:

- (1) The Company will carefully evaluate each of its potential suppliers based on, including but not limited to, the duration and quality of productions and the suppliers capacity as matched with the production schedules of the Company;
- (2) Before finalising its decision, the Company will approach a few independent suppliers which are considered as qualified and reliable by the Company based on its experience on the previous cooperation results apart from the Supplier Group to undergo a bidding process;

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## LETTER FROM THE BOARD

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- (3) Based on the input production costs, the engineering, purchasing and sourcing departments of the Company will estimate and come up with preliminary prices before the sales and marketing department of the Company apply the mark up percentages in accordance with the Company's normal practices. The sales and marketing department of the Company will examine the prevailing market prices of similar products to ensure the pricing of the products to be within a targeted retail price range. Due to fluctuating marketing prices, the Company would make sure the ultimate targeted retail price range and the preferred gross margins are met in order to avoid buying the products which are priced out by known competitions. Lastly, the account and finance department of the Company will examine the purchasing terms and conditions and ensure the same are in line with normal market practices and standard terms no less favourable to the Company than those available from independent suppliers. Normally, among the few independent supplier candidates who undergo the bidding process, at least two quotations would be received by the Company. In case there are less than two quotations, the estimated wholesale prices would determine the viability of the products. If the only quotation obtained is unable to meet the Company's targeted gross margin, the Company would revise product specifications or would not proceed with the transaction;
- (4) A report, which sets out, among others, the proposed price of the Products to be offered to the Group by the Supplier Group and the market prices of similar products offered by independent suppliers, will be reviewed by the management of the Company and the price of the Products to be offered to the Group will be approved by the management of the Company upon review and comparison with the market prices of similar products. Throughout the process, the Company will treat the Supplier Group and other independent suppliers equally, and the transactions will be negotiated on an arm's length basis, with reference to the market information gathered and factors such as the relevant transaction amount, nature and specification requirements for the particular transaction. In the event that the terms offered by the Supplier Group are no less favourable than those available from other independent suppliers, the Company will place purchase orders to the Supplier Group. However, if the Company can obtain more preferential terms from other independent suppliers, it will not place purchase orders to the Supplier Group; and
- (5) The directors and management of the Group, including the vice president of operations, vice president of marketing, vice president of sales, national sales manager, product design engineers, sales and sourcing manager and project engineer, will closely monitor the procedures for obtaining quotations to placing purchase orders, so as to ensure that the pricing policies are strictly followed. The independent non-executive Directors will also review the transactions contemplated under the New Master Purchase Agreement every year pursuant to the requirements under the Listing Rules.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW MASTER PURCHASE AGREEMENT

The main source of manufacturing of the Group's OBM business are mainly subcontracted to the PRC factories owned and operated by the Supplier Group (the "**PRC Factories**"). The Supplier Group has been manufacturing and supplying the Products to the Purchaser Group as external supplier since 1 May 2011. The reliance on the PRC Factories has continued since then due to the OBM segment of the Group has been continuously seeking new and innovative products for its main market, being the market in the United States of America, and the Supplier Group has been manufacturing and supplying the products over the years as part of its PRC Factories Original Development Manufacturing ("**ODM**") strategies. This mutually beneficial business arrangement allows the Group to tap on the PRC Factories' newest product ideas along with our ongoing licensing strategies.

With the Group's OBM segment's recent investment in developing more innovative Products with the Supplier Group, the Directors expects that the Group's purchases of the Products in the coming years will increase in line with the estimated increase in sales of the Products by the Group.

The New Master Purchase Agreement is in fact a continuation and renewal of the Existing Master Purchase Agreement which commenced from 1 April 2014 and expired on 31 March 2017. The Supplier Group has been supplying the Products to the Purchaser Group under the initial master purchase agreement commenced 1 May 2011, and has been able to meet the Group's stringent quality requirements and delivery schedules. The stable and well established cooperation history between the Purchaser Group and the Supplier Group will ensure the Group to save management time and resources, as well as to better capture operation efficiency as a whole. In the coming years, whilst the Group will purchase the Products from the PRC Factories to meet orders from our customers, the Group will continue to source and identify new independent and capable subcontractors for its OBM business according to its production requirements, costs and production capacities.

The Directors considered entering into of the New Master Purchase Agreement will enable the Group to maintain the normal course of business, whilst offering management more time to engage other independent subcontractors for its manufacturing requirements. The Group will transfer more suitable and selective production to its Indonesian factory.

Given that the New Master Purchase Agreement was entered into in the ordinary and usual course of business of the Group, the Directors (including the independent non-executive Directors) consider that the transactions contemplated under the New Master Purchase Agreement, including the Annual Caps, are fair and reasonable and is in the interest of the Company and Shareholders as a whole.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE PARTIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are development, engineering, manufacturing and sale of toys, commercial kitchen and consumer electronic products.

The Supplier Group is principally engaged in the manufacturing, distribution and trading of toys and related products, including but not limited to consumer electronic products, radio control/wireless products, and electronic and plastic toys.

### IMPLICATION OF THE LISTING RULES

The Supplier is held by Brisk Mark Holdings Limited which is owned as to 30% by Mr. Leung Chung Ming and 70% by Mr. Leung, Kenneth Yuk Wai. Since Mr. Leung, Kenneth Yuk Wai is a son of Mr. Leung Lun, M.H., a substantial Shareholder, and Mr. Leung Chung Ming is the brother of Mr. Leung Lun, M.H., the Supplier is therefore a connected person of the Company. As such, the transactions under the New Master Purchase Agreement would constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Given that the relevant applicable percentage ratios are more than 5% and the annual consideration payable under the New Master Purchase Agreement by the Group exceeds HK\$10,000,000, the New Master Purchase Agreement is subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval under the Listing Rules. The Supplier and its associates are required to abstain from voting on the resolution for approving the New Master Purchase Agreement including the Annual Caps. As at the Latest Practicable Date, the Supplier and its associates were interested in approximately 13.10% of the existing share capital of the Company. No Directors has material interest in the transactions under the New Master Purchase Agreement.

### RE-ELECTION OF RETIRING DIRECTORS

In accordance with Article 99 of the articles of association of the Company, the following Directors who were appointed by the Board to fill casual vacancies of the then existing Board with effect from the appointment dates as stated below will hold office until the EGM:–

Name	Position	Appointment date
Mr. Tse Chi Keung	Executive Director	16 December 2016
Mr. Leung Alex	Executive Director	20 March 2017
Mr. Lee Chan Wah	Executive Director	30 March 2017
Ms. Lo Ming Wan	Executive Director	30 March 2017

All of the above retiring Directors, being eligible, will offer themselves for re-election at the EGM. Details of the retiring Directors offering themselves for re-election are set out in Appendix II to this circular.

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## LETTER FROM THE BOARD

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### EGM

A notice convening the EGM to be held at Level 20, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong, on Friday, 26 May 2017 at 3:00 p.m., or any adjournment is set out on pages 37 and 39 of this circular.

Whether or not you are able to attend the meeting in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Abacus Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM should you so wish.

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 12 to 13 of this circular which contains its recommendation to the Independent Shareholders. Further, your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 14 to 28 of this circular.

The Independent Board Committee, having taken into account the advice of Veda Capital, considers that the terms of the New Master Purchase Agreement and the Annual Caps are on normal commercial terms in the ordinary and usual course of business of the Group are in the interest of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution(s) as set out in the notice of EGM.

The Board considers that the New Master Purchase Agreement and the transaction contemplated thereunder are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole. The Board considers that the resolutions proposed in the notice of EGM are in the best interests of the Company and the Shareholders and therefore recommends you to vote in favour of the relevant resolution(s) to be proposed at the EGM.

### ADDITIONAL INFORMATION

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

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

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**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)**

27 April 2017

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular of the Company dated 27 April 2017 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders as to whether the terms of the New Master Purchase Agreement including Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned; whether the transaction is in the interests of the Company and its Shareholders as a whole. Veda Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the New Master Purchase Agreement including the Annual Caps and the transactions contemplated thereunder.

We wish to draw your attention to the letter from the Board, as set out on pages 4 to 11 of the Circular, and the letter from Veda Capital to the Independent Board Committee and the Independent Shareholders which contains its advice in respect of the New Master Purchase Agreement including the Annual Caps and the transactions contemplated thereunder, as set out on pages 14 to 28 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the advice of Veda Capital, we consider the terms of the New Master Purchase Agreement including the Annual Caps are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and the entering into of the New Master Purchase Agreement including the Annual Caps is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve, ratify and confirm the New Master Purchase Agreement including the Annual Caps and the transactions contemplated thereunder.

Yours faithfully,

**Independent Board Committee**

**Mr. Wong Tak Chuen**  
*Independent Non-executive  
Director*

**Mr. Lai Hok Lim**  
*Independent Non-executive  
Director*

**Mr. Lien Wai Hung**  
*Independent Non-executive  
Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from Veda Capital to the Independent Board Committee and the Independent Shareholders in respect of the New Master Purchase Agreement prepared for the purpose of inclusion in this circular.*

**VEDA | CAPITAL**  
**智 略 資 本**

Room 1106, 11/F.  
Wing On Centre  
111 Connaught Road Central  
Hong Kong

27 April 2017

*To the Independent Board Committee and the Independent Shareholders of  
China Healthwise Holdings Limited*

Dear Sirs,

### **RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Master Purchase Agreement, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in this circular (the “**Circular**”) dated 27 April 2017 issued by the Company, of which this letter forms a part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

According to the Board Letter, the Existing Master Purchase Agreement has expired on 31 March 2017. Hence, on 3 April 2017 the Purchaser, a wholly-owned subsidiary of the Company, and the Supplier entered into the New Master Purchase Agreement pursuant to which the Supplier Group agreed to sell the Products to the Purchaser Group and the Purchaser Group agreed to purchase the Products from the Supplier Group during the period commencing 1 April 2017 until 31 March 2020.

As at the Latest Practicable Date, the Supplier is held by Brisk Mark Holdings Limited which is owned as to 30% by Mr. Leung Chung Ming and 70% by Mr. Leung, Kenneth Yuk Wai. Since Mr. Leung, Kenneth Yuk Wai is a son of Mr. Leung Lun, M.H., a substantial Shareholder, and Mr. Leung Chung Ming is the brother of Mr. Leung Lun, M.H., the Supplier is therefore a connected person of the Company. As such, the transactions under the New Master Purchase Agreement would constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Mr. Leung Lun, M.H., who have material interests in the transactions under the New Master Purchase Agreement, has abstained from voting on the board resolution in respect of the New Master Purchase Agreement including the Annual Caps. No Directors has material interest in the transactions under the New Master Purchase Agreement.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise whether the terms of the New Master Purchase Agreement and the transactions contemplated thereunder including the Annual Caps are in the interests of the Company and the Independent Shareholders as a whole. We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the New Master Purchase Agreement and the transactions contemplated thereunder including the Annual Caps are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

As at the Latest Practicable Date, we were not aware of any relationships or interest between Veda Capital and the Company or any other parties that could be reasonably be regarded as hindrance to Veda Capital's independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the undertaking and the transactions contemplated thereunder. We are not associated with the Company, its subsidiaries, its associates or their respective substantial Shareholders or associates, and accordingly, are eligible to give independent advice and recommendations on the terms of the undertaking and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial Shareholders or associates.

### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due and careful enquiry and were based on honestly-held opinions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and management of the Company

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the New Master Purchase Agreement and in giving our recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration of the following principal factors and reasons:

#### **A. Background of and reasons for the New Master Purchase Agreement**

##### ***(i) Background***

As noted from the Board Letter, the Existing Master Purchase Agreement has expired on 31 March 2017. On 3 April 2017, the Purchaser, a wholly-owned subsidiary of the Company, and the Supplier entered into the New Master Purchase Agreement pursuant to which the Supplier Group agreed to sell the Products to the Purchaser Group and the Purchaser Group agreed to purchase the Products from Supplier Group for a period of three years commencing from 1 April 2017 to 31 March 2020.

##### ***(ii) Reasons***

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are development, engineering, manufacturing and sale of toys, commercial kitchen and consumer electronic products.

The Supplier Group is principally engaged in the manufacturing, distribution and trading of toys and related products, including but not limited to consumer electronic products, radio control/wireless products, and electronic and plastic toys.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As noted from the Board Letter, the main source of manufacturing of the Group's OBM business are mainly subcontracted to the PRC factories owned and operated by the Supplier Group (the "**PRC Factories**"). The Supplier Group has been manufacturing and supplying the Products to the Purchaser Group as an external supplier since 1 May 2011. The reliance on the PRC Factories has continued since then due to the OBM segment of the Group has been continuously seeking new and innovative products for its main market, being the market in the United States of America, and the Supplier Group has been manufacturing and supplying the products over the years as part of its PRC Factories Original Development Manufacturing ("**ODM**") strategies. This mutually beneficial business arrangement allows the Group to tap on the PRC Factories' newest product ideas along with the Purchaser Group's ongoing licensing strategies.

With the Group's OBM segment's recent investment in developing more innovative Products with the Supplier Group, the Directors expects that the Group's purchases of the Products in the coming years will increase in line with the estimated increase in sales of the Products by the Group.

The New Master Purchase Agreement is in fact a continuation and renewal of the Existing Master Purchase Agreement which commenced from 1 April 2014 and expired on 31 March 2017. The Supplier Group has been supplying the Products to the Purchaser Group under the initial master purchase agreement commenced since 1 May 2011, and has been able to meet the Group's stringent quality requirements and delivery schedules. The stable and well established cooperation history between the Purchaser Group and the Supplier Group will ensure the Group to save management time and resources, as well as to better capture operation efficiency as a whole. In the coming years, whilst the Group will purchase the Products from the PRC Factories to meet orders from our customers, the Group will continue to source and identify new independent and capable subcontractors for its OBM business according to its production requirements, costs and production capacities.

The Directors considered entering into of the New Master Purchase Agreement will enable the Group to maintain the normal course of business, whilst offering management more time to engage other independent subcontractors for its manufacturing requirements. The Group will transfer more suitable and selective production to its Indonesian factory.

Besides, as advised by the Company, some of the Products e.g. toys are exclusively developed and manufactured by the Supplier Group and the Purchaser Group maybe interested in those Products.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We noted from the annual report of the Group for the year ended 31 March 2016 (the “AR 2016”), the Group’s toys segment recorded an increase in sales of approximately 21.8% from approximately HK\$240.9 million in the year ended 31 March 2015 to approximately HK\$293.5 million in the year ended 31 March 2016, accounting for approximately 83% of the Group’s turnover as compared to the approximately 62% in the year ended 31 March 2015. The increase in turnover of the toy segment was attributable to the increase in orders of toys produced at the Group’s recently expanded Indonesian factory, particularly being well received in the market, in addition to some economies recovering from recent financial downturn.

Having considered (i) the entering of the New Master Purchase Agreement is in line with the principal activities of the Group; (ii) the Supplier Group has been supplying the Products to the Purchaser Group since 1 May 2011 and the New Master Purchase Agreement is expected to be a continuation and renewal of the Existing Master Purchase Agreement which was expired; (iii) time required for identifying new independent subcontractors for its toys business according to its production requirements, costs and production capacity; and (iv) the core business segment of the Group, namely the toy products segment, are the major contributor to the Group’s turnover for the year ended 31 March 2016, we concur with the view of the Directors that the entering into of the New Master Purchase Agreement and the transactions contemplated thereunder shall enable the Group to maintain its normal course of business and is also in the interests of the Company and the Shareholders as a whole.

### **B. Principal terms of the New Master Purchase Agreement**

#### **Date:**

3 April 2017

#### **Parties:**

Purchaser: LC Global Holdings Corporation

Supplier: Lung Cheong (BVI) Holdings Limited

#### ***Major terms of the New Master Purchase Agreement***

Pursuant to the terms of the New Master Purchase Agreement, the Supplier Group agreed to sell the Products to the Purchaser Group and the Purchaser Group agreed to purchase the Products from the Supplier Group for a period of three years commencing from 1 April 2017 to 31 March 2020.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The prices of the Products to be offered to the Group under the New Master Purchase Agreement will be determined after arm's length negotiations between the parties from time to time with reference to the prevailing market price of similar products and will be no less favourable to the Company than terms available from independent third parties to the Company having regard to the quantity, specifications and/or other conditions of the products to be offered.

The payment terms of the individual transactions under the New Master Purchase Agreement will be determined by the parties at the time of entering into transactions with reference to factors such as the relevant transactions amount, nature and specification requirement for the particular transactions.

### ***Conditions precedent***

As set out in the Board Letter, the New Master Purchase Agreement is conditional upon:

- (a) the passing of the resolution of the Independent Shareholders at the EGM to approve, ratify and confirm the entering into the New Master Purchase Agreement and the transactions contemplated thereunder; and
- (b) all relevant regulatory requirements in relation to the transactions contemplated in the New Master Purchase Agreement (including but not limited to those under the Listing Rules and all relevant regulatory requirements in Hong Kong) having been complied with and satisfied.

If the above conditions are not fulfilled on or before on 30 June 2017 or such later date as agreed between the Supplier and the Purchaser, the New Master Purchase Agreement shall terminate with immediate effect, neither party shall have any rights or obligations against the other under the New Master Purchase Agreement except for any antecedent breach.

### **C. Pricing basis**

The purchase prices of the Products to be offered to the Group under the New Master Purchase Agreement will be determined after arm's length negotiations between the parties from time to time with reference to the prevailing market price of similar products and will be no less favourable to the Company than terms available from independent third parties to the Company having regard to the quantity, specifications and/or other conditions of the Products to be offered. The payment terms of the individual transactions under the New Master Purchase Agreement will be determined by the parties at the time of entering into transactions with reference to factors such as the relevant transaction amount, nature and specification requirements for the particular transactions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As discussed with the Company, in order to ensure the transactions under the New Master Purchase Agreement were priced with reference to the prevailing market price of similar products on terms no less favourable to the Company than terms available from independent third parties to the Company, we understand that the Company will carefully evaluate each of its potential suppliers based on, including but not limited to, the duration and quality of productions and the suppliers capacity as matched with the production schedules of the Company, and will then approach few independent supplier candidates which are considered as qualified and reliable by the Company based on its experience on the previous cooperation results aside from the Supplier Group to undergo a bidding process before finalizing its decision.

As further explained by the Company, based on the input production costs, the engineering, purchasing and sourcing departments of the Company will estimate and come up with preliminary prices before the sales and marketing department of the Company apply the mark up percentages in accordance to the Company's normal practices. The sale and marketing department of the Company will examine the prevailing market prices of similar products to ensure the pricing of the product to be within a targeted retail price range. Due to fluctuating marketing prices, the Company would make sure the ultimate targeted retail price range and the preferred gross margins are met in order to avoid buying the products which are priced out by known competitions. Lastly, the account and finance department of the Company will examine the purchasing terms and conditions to be in line with normal market practices and standard terms no less favourable to the Company than those available from independent suppliers; for instances, the Group is currently enjoying favorable credit terms from the Supplier Group for up to 180 days from shipment while independent third party suppliers normally require deposit and cash upon delivery.

In regards to the amount of the independent supplier candidates who undergo the bidding process, there will normally be at least two quotations would be received by the Company. As advised by the Company, in cases where there are less than two quotations or where the products are developed by the Supplier Group which also owned relevant patents, then the projected wholesale prices would determine the viability of the products. If the only quotation obtained is unable to meet the Company's targeted gross margin, the Company would revise product specifications or would not proceed with the transaction.

A report, which sets out, among others, the proposed price of the Products to be offered to the Group by the Supplier Group and the market prices of similar products offered by independent suppliers, will be reviewed by the management of the Company and the price of the Products to be offered to the Group will be approved by the management of the Company upon review and comparison with the market prices of similar products (the **"Pricing Monitoring Mechanism"**).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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To further assess the fairness and reasonableness of the terms of the New Master Purchase Agreement, we have obtained and reviewed several sample purchase agreements entered into by the Group with other suppliers who are independent third parties of the Company and we noted that the terms offered by the Supplier Group are no less favorable than those offered by other suppliers.

The directors and management of the Group, will closely monitor the procedures for obtaining quotations to placing purchase orders, so as to ensure that the pricing policies are strictly followed. The independent non-executive Directors will also review the transactions contemplated under the New Master Purchase Agreement every year pursuant to the requirements under the Listing Rules.

Given that the prices of the Products to be offered to the Group under the New Master Purchase Agreement will be determined after arm's length negotiations between the parties from time to time with reference to the prevailing market price of similar products on terms be no less favourable to the Company than terms available from independent third parties to the Company and will be monitored by the Pricing Monitoring Mechanism and strictly monitored by the management of the Group, we are of the opinion that (i) the terms of the New Master Purchase Agreement is fair and reasonable and on normal commercial terms; and (ii) adequate measures and mechanism have been in place to monitor the New Master Purchase Agreement in order to protect the interests of the Company and the Independent Shareholders.

### **D. Annual Caps**

It is expected that the total value of the Products to be supplied and sold by the Supplier Group to the Purchaser Group pursuant to the terms of the New Master Purchase Agreement shall not exceed the amounts set out below:

<b>Period ending 31 March</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Annual Caps (HK\$ million)	66 (the "2018 Cap")	72 (the "2019 Cap")	80 (the "2020 Cap")

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The historical transaction amount of purchases by the Group from the Supplier Group for the financial years ended 31 March 2015, 2016 and the year ended 31 March 2017/11 months ended 28 February 2017 are as follows:

	<b>For the year ended 31 March 2015 HK\$ million</b>	<b>For the year ended 31 March 2016 HK\$ million</b>	<b>For the year ended 31 March 2017/11 months ended 28 February 2017 HK\$ million (up to 28 February 2017)</b>
Annual Caps under the Existing Master Purchase Agreement	60	75	95
Historical transaction amounts under the Existing Purchase Agreement	48	49	42

As set out in the Board Letter, the Annual Caps were arrived at based upon (i) the historical transaction amounts under the Existing Master Purchase Agreement for the two years ended 31 March 2016 and the year ended 31 March 2017/11 months ended 28 February 2017; (ii) the estimated volume of the Products required by the Group; (iii) the prevailing market prices of the Products with terms no less favourable to the Company than terms available from independent third parties to the Company having regard to the quantity, specifications and/or other conditions of the Products to be offered; and (iv) the estimated costs for the supply of such products for each of the relevant financial years under the New Master Purchase Agreement.

It is estimated that there will be a strong growth in the total sales of the Purchaser Group's OBM segment for the coming years ending 31 March 2020, primarily due to (a) the encouraging market response from customers to the Group's newly introduced product lines; (b) the Group's objective to increase sales from further penetration into the US mass market and internet retail networks; (c) the Group estimate that the European and US markets would recover; and (d) an increase in the projected total purchase of the Purchaser Group for the year ending 31 March 2018, 2019 and 2020, taking into accounts factors such as expected increase in the labour cost in the PRC.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have enquired the Company for the calculation mechanism of the Annual Caps and were advised by the Company that the Annual Caps were determined based on:

	<b>Forecast of the OBM segment of the Purchaser Group</b>		
	<b>For the year ended 31 March 2018 HK\$ million</b>	<b>For the year ended 31 March 2019 HK\$ million</b>	<b>For the year ended 31 March 2020 HK\$ million</b>
Total sales of the OBM segment of the Purchaser Group	<u>105.9</u>	<u>116.5</u>	<u>128.1</u>
Amount of purchase from independent third parties	7.2	7.9	8.7
Amount of purchase from Supplier Group	<u>64.8</u>	<u>71.3</u>	<u>78.4</u>
Total amount of purchase	<u>72.0</u>	<u>79.2</u>	<u>87.1</u>

### ***The 2018 Cap***

- (i) the amount of purchase from the Supplier Group was approximately HK\$42 million for the period ended 1 April 2016 to 28 February 2017, representing approximately 85.3% (the “**2017 Purchase from Supplier Group Percentage**”) of the total purchase (the “**Total Purchase**”) of approximately HK\$49.1 million by the Purchaser Group for the period; and
- (ii) the projected total sales of the OBM segment of the Purchaser Group (the “**2018 Projected Total Sales**”) of approximately HK\$105.9 million, which represents a 40% growth to the estimated total sales of the OBM segment of the Purchaser Group of approximately HK\$75.6 million for the year ended 31 March 2017 (pro rata to the average sales of the Purchaser Group from the 11 months period of 1 April 2016 to 28 February 2017) (the “**2017 Estimated Total Sales**”), based on, amongst others, current orders placed to the Purchaser Group, previous sales experiences, the US market recovery mode, the redevelopment of the delayed projects in year 2016 and the development of the new projects which are expected to boost the sales for the coming years. Having taken into account of the expected increase in the labour cost in the PRC, the projected percentage of total purchase from the Supplier Group to the Total Purchase of the Purchaser Group for the year ended 31 March 2018 is estimated to be 90% (the “**2018 Projected Purchase from Supplier Group Percentage**”). As a result, the projected

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Total Purchase for the Purchaser Group for the year ending 31 March 2018 (the “**2018 Projected Total Purchase**”) is projected as approximately HK\$72 million.

According to the 2017 Purchase from Supplier Group Percentage and the 2018 Projected Total Purchase, the Company projects the purchase from the Supplier Group for the year ending 31 March 2018 would be approximately HK\$64.8 million (the “**2018 Projected Purchase from Supplier Group**”). As advised by the Company, the Purchaser Group as a role of the wholesaler, orders are often ordered in bulk and that the bulk orders will be made and received during July onwards which is around the time to prepare for the delivery during the period from October to December Christmas peak selling seasons and majority of the sales of the Purchaser Group are for Christmas.

As further advised by the Company, the 2017 Estimated Total Sales was dropped as compared to the year 2016 (approximately 16.4% reduction), which was due to the competitive market condition in the United States and unable to maintain sales momentum in other previously growing markets such as Europe and Asia due to Brexit and the delay of certain projects of the Purchaser Group and such delayed projects shall be under redevelopment in year 2018 as well as certain new projects are still under development in year 2016. The Company is expected to have a strong growth in terms of revenue of the OBM segment of the Purchaser Group for the coming years since the major markets of the Purchaser Group are strengthening and the potential positive impact of the delayed and new projects which are under redevelopment/development.

Having understood the above mentioned ordering pattern, seasonal effect and in view of the 2018 Cap is in line with the 2018 Projected Purchase from Supplier Group, we consider the 2018 Cap has been arrived at careful consideration of the Company and is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *The 2019 Cap and the 2020 Cap*

As discussed with the Company, the Group has received encouraging market response from customers for the new introduced product lines and has aimed to increase sales from further penetration into the US mass market and internet retail networks and based on the Group's prospect of the markets of the European countries and the United States to recover strongly, the Company projected total sales of the OBM segment of the Purchaser Group for the year ending 31 March 2019 (the "**2019 Projected Total Sales**") to be approximately HK\$116.5 million, which represents 10% growth to the 2018 Projected Total Sales and the projected total sales of the OBM segment of the Purchaser Group for the year ending 31 March 2020 to be approximately HK\$128.1 million (the "**2020 Projected Total Sales**"), which represents approximately 10% growth to the 2019 Projected Total Sales. Similar to the calculation of the 2018 Cap, the Group has taken into account of the expected continuing increase in the labour cost in the PRC mainly contributable to the relatively high growing GDP as compared to other countries among the world. As advised by the Company, the ratios of the projected percentage of total purchase from the Supplier Group to the total cost of the Purchaser Group for the year ending 31 March 2019 (the "**2019 Projected Purchase from Supplier Group Percentage**") and 31 March 2020 (the "**2020 Projected Purchase from Supplier Group Percentage**") will be maintained at approximately 90%. As a result, the projected Total Purchase for the two years ending 31 March 2020 are projected as approximately HK\$79.2 million (the "**2019 Projected Total Purchase**") and approximately HK\$87.1 million (the "**2020 Projected Total Purchase**").

According to the 2019 Projected Total Purchase and 2020 Projected Total Purchase, the Company projects the purchase from the Supplier Group for the two years ending 31 March 2020 would be approximately HK\$71.3 million (the "**2019 Projected Purchase from Supplier Group**") and HK\$78.4 million (the "**2020 Projected Purchase from Supplier Group**") respectively. In view of the 2019 Cap and 2020 Cap are the approximate values of the 2019 Projected Purchase from Supplier Group and 2020 Projected Purchase from Supplier Group respectively, we consider both the 2019 Cap and 2020 Cap are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have researched on the markets of the major countries of the main geographical markets of the OBM segment of the Purchaser Group. According to World Economic Outlook (the “WEO”) published by the International Monetary Fund (“IMF”) in January 2017, global economy has broadly strengthened and is expected to improve further in 2017-18, with much of the impetus coming from emerging and developing economies. Global growth is projected to strengthen from approximately 3.1% in 2016 to approximately 3.4% in 2017 and approximately 3.6% in 2018 driven by the projected pickup in emerging markets’ growth. Emerging markets’ growth is estimated at 4.1% in 2016, and is projected to reach 4.5% for 2017. A further pickup in growth to 4.8 % is projected for 2018.

### ***North America***

The WEO expects growth will be strong in the United States and Canada in the 2017. The United States economy is expected to grow at 2.3% in year 2017 which is a substantial improvement compared to the estimated growth rate in 2016 (i.e. 1.6%) and it is estimated that the growth rate will be 2.5% in 2018, led by a strong rebound in the economy after a weak performance of the first half of 2016 and the economy is approaching full employment. Correspondingly, the growth rate in Canada is also expected to accelerate to 1.9% in 2017 and 2.0% in 2018, from approximately 1.3% in 2016.

### ***Europe***

According to the WEO, even though the Euro area has experiencing some uncertainties, some economies are performing better than expected, based on the preliminary third-quarter growth figures were some what stronger than previously forecast in some economies, such as Spain and the United Kingdom, where domestic demand held up better than expected in the aftermath of Brexit vote. The expected growths of the advanced European economies are anticipated to be sluggish such as Germany, it is expected to be 0.2% lower in 2017 and 2018 (both being 1.5%) when compared the estimated growth rate in 2016 (1.7%). However, emerging and developing European economies are expected to growth at a faster rate in 2017 and 2018 as compared to the estimated growth rate of 2016 (i.e. 2.9%), by 0.2% and 0.3% higher respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Labour costs in China*

As noted in “別老盯著7%，中國經濟正在發生新變化” (Changes On the PRC’s Economy and Expect No 7% Economic Growth\*) released by The State Council of The People’s Republic of China on 21 January 2016 (source: 中華人民共和國國務院 (The State Council of the People’s Republic of China\*), www.gov.cn), from 2012 to 2015, the number of the PRC’s working age population has shrunk for four consecutive years. At the end of 2015, the PRC’s working-age population of 16 years of age to 60 years of age recorded a decrease in 4.87 million people as compared to the previous year and was the largest decline in four years, hence the labour cost might continue to raise in the coming years. We have also reviewed the article “機構：中國製造業平均工資增速迅猛” (Organisation: China’s manufacturing industry average wage growth rate is rapid\*) released by The State Council of The People’s Republic of China on 2 February 2017 (source: 中華人民共和國國務院 (The State Council of the People’s Republic of China\*), www.gov.cn), from the period 2005 to 2016, China’s manufacturing average hourly wage has raised by triple, up to US\$3.6. Comparatively, during the same period, Brazil’s manufacturing average hourly wage has dropped from US\$2.9 to US\$2.7, Mexico’s manufacturing average hourly wage has dropped from US\$2.2 to US\$2.1 and South Africa’s manufacturing average hourly wage has dropped from US\$4.3 to US\$3.6.

In view of (i) the recovery in North America and Europe market; (ii) the expected increase in labour costs in the PRC which may increase the price of the Products; (iii) the redevelopment of the delayed projects and the development of the new projects of the Purchaser Group from 2018 onwards; and (iv) the Company expects to purchase toys which are exclusively developed and manufactured by the Supplier Group, we consider the proposed Annual Caps have been arrived at careful consideration of the Company and are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the New Master Purchase Agreement is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole. We also consider that the New Master Purchase Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders to vote in favor of the relevant resolution to be proposed at the EGM to approve the New Master Purchase Agreement.

Yours faithfully,  
For and on behalf of  
**Veda Capital Limited**  
**Julisa Fong**  
*Managing Director*

*Note: Ms. Julisa Fong is a licensed person under the SFO to engage in Type 6 (advising on corporate finance) regulated activities and has over 20 years of experience in investment banking and corporate finance.*

**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. DISCLOSURE OF INTERESTS****Interests of Directors**

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (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 Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were 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 to be notified to the Company and the Stock Exchange pursuant to the Model Code and none of the Directors or proposed Directors is a director or employee of the company which has an interest or short position in the shares and underlying shares of the company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**Substantial Shareholders**

As at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, the following persons (other than the Directors or the chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company 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:

**Position in the Shares and underlying Shares of the Company**

Name of Shareholder	Nature of Interests	Number of Shares Long position	Approximate percentage of issued share capital of the Company as at the Latest Practicable Date
Eternity Finance Group Limited ( <i>Note 1</i> )	Beneficial owner	800,000,000	13.52%
Lung Cheong Investment Limited ( <i>Note 2</i> )	Beneficial owner	775,332,240	13.10%

*Note 1:* These shares were registered in the name of Eternity Finance Group Limited, the entire issued share capital of which is wholly owned by Riche (BVI) Limited.

*Note 2:* These Shares were registered in the name of Lung Cheong Investment Limited, the entire issued share capital of which is owned by Rare Diamond Limited. Rare Diamond Limited is beneficially owned as to 70% by Mr. Leung Lun, M.H. and as to 30% by Mr. Leung Chung Ming, who is the brother of Mr. Leung Lun, M.H..

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and the chief executive of the Company, no other person (other than the Directors or the chief executive of the Company) had any interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company 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.



**3. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2016, the date to which the latest published audited financial statements of the Group were made up.

**5. COMPETING INTERESTS**

As at the Latest Practicable Date, apart from the Supplier and its subsidiaries, the Directors were not aware of any business or interest of each Director, management shareholder and their respective associate, that competes or may compete with the business of the Group and any other conflict of interest which any such person have or may have with the Group.

**6. DIRECTORS' INTEREST IN ASSETS AND CONTRACTS OF SIGNIFICANCE**

None of the Directors had any interests, either directly or indirectly, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2016, the date to which the latest published audited consolidated accounts of the Group were made up. None of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting as at the Latest Practicable Date, and was significant in relation to the business of the Group.

**7. EXPERT AND CONSENT**

- (a) The following is the qualification of the expert who has been named in this circular and have given opinion and advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Veda Capital Limited	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

- (b) As at the Latest Practicable Date, Veda Capital did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) Veda Capital has given and has not withdrawn its written consent to the issue of this circular, with the inclusion therein of its letter or the references to its name in the form and context in which it appears.
- (d) As at the Latest Practicable Date, Veda Capital did not have any direct or indirect interest in any asset which has been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2016, the date to which the latest published audited financial statements of the Group were made up.

## **8. MISCELLANEOUS**

The English version of this circular shall prevail over the Chinese version for the purpose of interpretation.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday except Saturdays, Sundays and public holidays at the head office and principal place of business of the Company in Hong Kong at Unit 3811, Shun Tak Centre, 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 New Master Purchase Agreement;
- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 12 and 13 of this circular;
- (c) the letter of advice from Veda Capital, the text of which is set out on pages 14 to 28 of this circular;
- (d) the written consent referred to under the paragraph headed “Expert and Consent” in this appendix; and
- (e) this circular.

*The following are details of the Directors who will retire and, being eligible, offer themselves for re-election at the EGM.*

**Executive Directors****(1) Mr. Tse Chi Keung**

Mr. Tse Chi Keung, aged 35, obtained his Bachelor Degree of Accounting from The Hong Kong Polytechnic University in 2005. He is a member of the Hong Kong Institute of Certified Public Accountants. He has more than 11 years of experience in auditing, accounting and financial management gained from certain senior positions in an international accounting firm in Hong Kong and a company listed on the Main Board of the Stock Exchange in Hong Kong.

Mr. Tse has entered into a letter of appointment with the Company as an executive Director for an initial term of three years commencing from 16 December 2016, which may be terminated at any time by a notice in writing served by either Mr. Tse or the Company. Mr. Tse is also subject to the general requirement of retirement by rotation and re-election at the general meetings of the Company under the articles of association of the Company. Pursuant to the letter of appointment, Mr. Tse is entitled to receive a Director's fee of HK\$120,000 per annum, which is determined by the Board with reference to his duties and responsibilities with the Company and is subject to review by the remuneration committee of the Company from time to time with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market condition.

Save as disclosed above and as at the date of this announcement, Mr. Tse (i) does not hold any other position with the Company or other members of the Company and its subsidiaries, (ii) has no relationships with any Directors, senior management or substantial or controlling shareholders (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) of the Company, and (iii) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, there are no other matters that need to be brought to the attention of the shareholders of the Company in relation to Mr. Tse's re-election and there is no information relating to Mr. Tse which is required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

**(2) Mr. Leung Alex**

Mr. Leung Alex, aged 38, obtained his Bachelor of Commerce degree from the University of Auckland, New Zealand in May 2000. Mr. Leung had worked in two international accounting firms from December 2000 to February 2012. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the CPA Australia. He has more than 16 years of experience in auditing, accounting and corporate management as well as in the field of corporate finance, mergers and acquisition matters, financial and accounting management, corporate governance and compliance affairs. Mr. Leung is currently the chief financial officer, the company secretary and an executive director of Man Sang International Limited (a company listed on the Main Board of the Stock Exchange under stock code: 938) and an executive director of Affluent Partners Holdings Limited (a company listed on the Main Board of the Stock Exchange under stock code: 1466 and formerly known as Man Sang Jewellery Holdings Limited).

Mr. Leung has entered into a letter of appointment with the Company as an executive Director for an initial term of three years commencing from 20 March 2017, which may be terminated at any time by a notice in writing served by either Mr. Leung or the Company. Mr. Leung is also subject to the general requirement of retirement by rotation and re-election at the general meetings of the Company under the articles of association of the Company. Pursuant to the letter of appointment, Mr. Leung is entitled to receive a Director's fee of HK\$120,000 per annum, which is determined by the Board with reference to his duties and responsibilities with the Company and is subject to review by the remuneration committee of the Company from time to time with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market condition.

Save as disclosed above and as at the date of this announcement, Mr. Leung (i) does not hold any other position with the Company or other members of the Company and its subsidiaries, (ii) has no relationships with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company, and (iii) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, there are no other matters that need to be brought to the attention of the shareholders of the Company in relation to Mr. Leung's re-election and there is no information relating to Mr. Leung which is required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

**(3) Mr. Lee Chan Wah**

Mr. Lee Chan Wah, aged 48, obtained his Bachelor of Business Administration degree from the Hong Kong Baptist University. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants. He has over 20 years of experience in the field of auditing, accounting and finance. Mr. Lee is an executive director of SkyNet Group Limited (a company listed on the Growth Enterprise Market of the Stock Exchange under stock code: 8176) since 16 August 2012.

Mr. Lee has entered into a letter of appointment with the Company as an executive Director for an initial term of three years commencing from 30 March 2017, which may be terminated at any time by a notice in writing served by either Mr. Lee or the Company. Mr. Lee is also subject to the general requirement of retirement by rotation and re-election at the general meetings of the Company under the articles of association of the Company. Pursuant to the letter of appointment, Mr. Lee is entitled to receive a Director's fee of HK\$120,000 per annum, which is determined by the Board with reference to his duties and responsibilities with the Company and is subject to review by the Remuneration Committee of the Company from time to time with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market condition.

Save as disclosed above and as at the date of this announcement, Mr. Lee (i) does not hold any position with the Company or other members of the Company and its subsidiaries, (ii) has not held any other directorship in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas, (iii) has no relationships with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company, and (iv) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, there are no other matters that need to be brought to the attention of the shareholders of the Company in relation to Mr. Lee's re-election and there is no information relating to Mr. Lee which is required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

**(4) Ms. Lo Ming Wan**

Ms. Lo Ming Wan, aged 31, obtained her Bachelor of Business Administration in Accounting and Economics degree from The Hong Kong University of Science and Technology in 2007. She 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. She has over 9 years of experience in auditing, accounting, company secretarial matters and financial management.

Ms. Lo has entered into a letter of appointment with the Company as an executive Director for an initial term of three years commencing from 30 March 2017, which may be terminated at any time by a notice in writing served by either Ms. Lo or the Company. Ms. Lo is also subject to the general requirement of retirement by rotation and re-election at the general meetings of the Company under the articles of association of the Company. Pursuant to the letter of appointment, Ms. Lo is entitled to receive a Director's fee of HK\$120,000 per annum, which is determined by the Board with reference to her duties and responsibilities with the Company and is subject to review by the Remuneration Committee of the Company from time to time with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market condition.

Save as disclosed above and as at the date of this announcement, Ms. Lo (i) does not hold any position with the Company or other members of the Company and its subsidiaries, (ii) has not held any other directorship in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas, (iii) has no relationships with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company, and (iv) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, there are no other matters that need to be brought to the attention of the shareholders of the Company in relation to Ms. Lo's re-election and there is no information relating to Ms. Lo which is required to be disclosed pursuant to any of the requirements of Rule 13.51(2) of the Listing Rules.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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# 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 an extraordinary general meeting of China Healthwise Holdings Limited (the “**Company**”) will be held at Level 20, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong on Friday, 26 May 2017 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following ordinary resolutions:

### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the master purchase agreement dated 3 April 2017 entered into between LC Global Holdings Corporation (“**LC Global**”), a subsidiary of the Company, and Lung Cheong (BVI) Holdings Limited (the “**New Master Purchase Agreement**”) (a copy of which has been produced to the Meeting and marked “A” and initialed by the chairman of the Meeting for the purpose of identification) in relation to, among other matters, the supply of consumer electronic products, radio control/wireless products, electronic and plastic toys for a term up to 31 March 2020 and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the proposed annual caps in relation to the transactions under the Master Purchase Agreement for each of the years ending 31 March 2018, 31 March 2019 and 31 March 2020 will not exceed HK\$66 million, HK\$72 million and HK\$80 million, respectively, be and are hereby approved;
- (c) the directors of the Company (the “**Director(s)**”) be and are hereby authorised to execute such other documents, do all other acts and things and take such action as they may consider necessary, desirable or expedient to implement and/or give effect to or otherwise in connection with the New Master Purchase Agreement and any or all the matters contemplated in the New Master Purchase Agreement and this resolution.”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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2. (a) To re-elect Mr. Tse Chi Keung as executive Director;
- (b) To re-elect Mr. Leung Alex as executive Director;
- (c) To re-elect Mr. Lee Chan Wah as executive Director;
- (d) To re-elect Ms. Lo Ming Wan as executive Director; and
- (e) To authorise the board of Director to fix the remuneration of the respective Directors.

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

Hong Kong, 27 April 2017

*Registered office:*

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

*Principal place of business in Hong Kong:*

Unit 3811  
Shun Tak Centre, West Tower  
168-200 Connaught Road Central  
Hong Kong

*Notes:*

1. The resolution at the EGM will be taken by poll pursuant to the Company's articles of association and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company in accordance with the Listing Rules.
2. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the meeting or poll concerned if he so wishes. In the event of a member who has lodged a form of proxy attending the meeting, his form of proxy will be deemed to have been revoked.
3. The register of members of the Company will be closed from Tuesday, 23 May 2017 to Friday, 26 May 2017 (both dates inclusive), during which period no transfer of shares of the Company will be effected.
4. In order to qualify for the attendance and voting at the EGM, all transfers accompanied by the relevant shares certificates for registration 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 not later than 4:30 p.m. on Monday, 22 May 2017.
5. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies (who must be an individual or individuals) to attend and vote instead of him. A proxy need not be a member of the Company.



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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6. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority must be delivered to 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 the time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such events, the instrument appointing a proxy shall be deemed to have been revoked.
7. The existing board of directors of the Company comprises five executive Directors, namely Mr. Lei Hong Wai (Chairman), Mr. Leung Alex (Vice Chairman), Mr. Tse Chi Keung, Mr. Lee Chan Wah and Ms. Lo Ming Wan, one non-executive director, Mr. Diao Yunfeng and three independent non-executive Directors, namely Mr. Wong Tak Chuen, Mr. Lai Hok Lim and Mr. Lien Wai Hung.
8. The translation of this notice into Chinese language is for reference only. In case of any inconsistency, the English version shall prevail.