

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



MIKO INTERNATIONAL HOLDINGS LIMITED
米格國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1247)

DISCLOSABLE TRANSACTION
ACQUISITION OF DISTRIBUTION CHANNELS IN
CERTAIN CITIES IN SICHUAN PROVINCE
AND
ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

ACQUISITION AGREEMENT

The Board is pleased to announce that on 2 June 2017, (i) Quanzhou Tuoyu Trade Company Limited (as the Purchaser); (ii) 成都佳尚服飾有限責任公司 (as the Seller); and (iii) the Company entered into the Acquisition Agreement to acquire the Distribution Channels for a consideration of RMB49,000,000.

SUBSCRIPTION AGREEMENT

In view of the aforesaid Acquisition Agreement, on 2 June 2017, the Company, the Purchaser and Bright Oasis Investment Holdings Limited (as the Subscriber) entered into a subscription agreement, pursuant to which the Subscriber conditionally agreed to subscribe and the Company conditionally agreed to issue convertible bonds due in 2019 of not more than RMB34,393,044.

The convertible bonds have the option to convert into conversion shares at the conversion price of HK\$0.24 per conversion share. Assuming the conversion options are exercised in full at the conversion price of HK\$0.24 per conversion share, 164,800,000 conversion shares will be allotted and issued to the Subscriber, representing (i) approximately 20% of the issued capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued capital of the Company as enlarged by the issuance and allotment of the conversion shares.

LISTING RULES IMPLICATION

Pursuant to Chapter 14 of the Listing Rules, as certain applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a disclosable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Pursuant to the shareholder resolution passed at the annual general meeting, a general mandate was granted to the Directors by the Company to allot and issue shares of up to 20% of the then total number of issued shares of the Company as at 22 September 2016, i.e. 164,800,000 shares. As the conversion shares will be allotted and issued under the general mandate, the subscription and issuance of the conversion shares (upon conversion of the convertible bonds) are not subject to shareholders' approval.

As completion is subject to the fulfilment of a number of conditions, the transaction may or may not proceed to completion. Shareholders and potential investors are reminded to exercise caution when dealing in the shares.

ACQUISITION AGREEMENT

The Board is pleased to announce that on 2 June 2017, (i) Quanzhou Tuoyu Trade Company Limited (as the Purchaser); (ii) 成都佳尚服飾有限責任公司 (as the Seller); and (iii) the Company entered into the Acquisition Agreement to acquire the Distribution Channels. The principal terms of the Acquisition Agreement are set out below:

Date	:	2 June 2017
Parties	:	Seller: 成都佳尚服飾有限責任公司 Purchaser: Quanzhou Tuoyu Trade Company Limited The Company
Subject matter	:	Distribution Channels, being the 53 distribution channels operated by the Seller in Sichuan region for the sale of kids' apparel of the Group under the brand "redkids"; and other assets related to such operation, including but not limited to fixed assets, decoration, display closets, display counters, lightings and audio system
Delivery of subject matter	:	The Distribution Channels will be transferred in two phases. During the first phase, not fewer than 15 distribution channels will be delivered not later than 30 September 2017 upon receipt of the first instalment. During the second phase, the remaining distribution channels contracted for will be delivered by 31 December 2017
Consideration	:	RMB49,000,000
Terms of payment	:	First instalment

The Company will, within 15 days of the execution of the Acquisition Agreement, execute the relevant documents and/or agreements with the Purchaser and the Seller (or their designated persons) to issue the convertible bonds to the shareholders or actual controllers of the Seller or their designated companies.

Second instalment

The Purchaser or the Company shall make the remaining payment for the acquisition to the Seller in Renminbi within 30 days of the delivery of all Distribution Channels.

Reasons for and Benefits of the Acquisition

The Acquisition is in line with the business strategy of the Group, which is offering shopping experience and gaining direct access to spending pattern, data and consumer information to enable the Group to enhance its product design, response to the market and planning.

The Board believes that as the Distribution Channels will be operated by the Group after completion of the Acquisition, the Group will be able to sell its products to end-consumers directly at the retail price instead of selling its products to distributors at the wholesale price when the Distribution Channels were not owned and operated by the Group. Gross profit margin and net profit margin of the Group are expected to benefit from such change.

The Board is of the opinion that the terms and conditions of the Acquisition Agreement are fair and reasonable, and is entered into after arm's length negotiation and on normal commercial terms, and is in the interest of the Company and the shareholders.

Information about the Seller

The Seller is a company established on 1 March 2011 under the laws of the PRC with limited liability. Its principal activity is the sale of apparel, shoes and hats, knitwear and textiles, and daily necessities.

To the best of the information, knowledge and belief of the Directors after making all reasonable enquiries, the Seller and its ultimate beneficial owner are third parties independent of the Company and the connected parties of the Company.

Information about the Group

The Group is one of the leading mid to high-end children's apparel brands in the PRC. The Group designs, develops, manufactures, markets and distributes children's apparel. In 2013, the Group was awarded the "Top 10 Children's Apparel Brands in China" by China National Garment Association. As at 31 December 2014, the Group, its distributors and sub-distributors owned and operated more than 620 retail outlets in the PRC.

SUBSCRIPTION AGREEMENT

On 2 June 2017, the Company, the Purchaser and the Subscriber entered into a subscription agreement, pursuant to which the Subscriber conditionally agreed to subscribe and the Company conditionally agreed to issue convertible bonds of not more than RMB34,393,044 (i.e. HK\$39,552,000).

The Board is of the opinion that the terms and conditions of the subscription agreement are fair and reasonable, and is entered into after arm's length negotiation and on normal commercial terms, and is in the interest of the Company and the shareholders.

Details of the terms of the subscription agreement are summarised below.

Date

2 June 2017

Parties

- (i) the Company;
- (ii) the Purchaser; and
- (iii) the Subscriber

To the best of the information, knowledge and belief of the Directors after making all reasonable enquiries, the Subscriber and its ultimate beneficial owner are independent third parties.

Subscription

Subject to the fulfilment of the conditions precedent, the issuer agrees to issue convertible bonds of not more than RMB34,393,044 in aggregate to the Subscriber.

The subscription of the convertible bonds will be settled on the Completion Date. Upon settlement, the subscriber shall pay the Company in cash (Renminbi) for all the bonds subscribed by the Subscriber.

Conditions Precedent

Completion of the transaction of bonds subscription under the subscription agreement is subject to the fulfilment of the following conditions precedent:

- (a) the Listing Committed of the Stock Exchange granting the permission to list, trade and deal in the conversion shares to be issued upon the exercise of the conversion options attached to the convertible bonds;
- (b) the subscription agreement and the transactions contemplated thereunder being approved by the board of directors of the Seller;
- (c) the subscription agreement and the transactions contemplated thereunder (including the issuance of convertible bonds and the allotment and issuance of conversion shares under the general mandate) being approved by the board of directors of the Purchaser;
- (d) the subscription agreement and the transactions contemplated thereunder being approved by the shareholders of the Company (if required);
- (e) the Purchaser receiving the valuation report issued by the Independent Valuer appointed by the Purchaser, stating the value of the subject matter (i.e. Distribution Channels) is not less than RMB50,000,000; and

- (f) the Company and the Subscriber obtaining all necessary consent and approval for the transactions contemplated under the subscription agreement, in accordance with and in full compliance with the relevant laws or regulations (including but not limited to the Listing Rules and related regulations in Hong Kong and the PRC), obtaining all other necessary permission, consent, waiver and approval as required by all government regulatory authorities and other third parties and remaining valid up to the Completion Date, and the competent authorities not enforcing any rules or regulations to prohibit or materially delay the performance and completion of this agreement.

The Company and the Subscriber undertake to each other that it will use its best endeavours to procure each party to fulfil the tasks under the conditions precedent, and in no event complete not later than 15 June 2017 (or such other date as agreed by each party in writing).

If either party fails to fulfil the conditions precedent by 15 June 2017 (or such other date as agreed by each party in writing), the subscription agreement will terminate and lapse automatically, and the obligations of each party under the agreement will be discharged (except for the specific terms of the subscription agreement and the liability arising from a prior breach).

Completion of Subscription

The subscription shall completion on 16 June 2017 or such other date as agreed by each party upon the fulfilment of all conditions precedent by each party. If the conditions precedent are not completely fulfilled as at the date above, the subscription shall complete on the fourth working day after the fulfilment of all conditions precedent. Upon completion of the subscription, except for those provided otherwise by each party, the Subscriber and the Company shall discharge all (and not part of) the duties under the subscription agreement.

Designated Subscriber

The Subscriber subscribes the Convertible Bonds under the terms of the Convertible Bonds, and will arrange for the settlement of the subscription amount on the Completion Date.

Subscriber undertakes that it is and its ultimate beneficial owner is an independent third party of the Company.

The major terms of the Convertible Bonds

The major terms of the Convertible Bonds are determined by the Company and the Subscriber on arm length negotiation and are summarised as follows:

Term

The Maturity Date of the Convertible Bonds shall be the date falling on the second anniversary of the issuance date of the Bonds, or if such date is not a business day, then it shall mean the first business day immediately after such day (the “**Maturity Date**”).

Form and Face Value

The Convertible Bonds constitute a general and unsecured obligation to the Company, and rank *pari passu* with all existing and future unsecured and non-subordinated obligations to the Company in all aspects, except as otherwise required by related statutory provisions, The Company will not make an application for the Convertible Bonds in any jurisdiction.

Every exercise of the Convertible Bonds shall be in a minimum of HK\$5,000,000. The Bonds will be issued in the face value of RMB34,393,044 (i.e. HK\$39,552,000). Any subsequent division and transfer of face value shall be made in no less than HK\$5,000,000, while their holders shall be registered in the registers of the bondholders of the Convertible Bonds of the Company.

Interests

The Convertible Bonds shall be interest bearing at 4% annually from the date of issuance or on the date with interest already paid or the most recent interest payment date if formal arrangement was made, in arrear semi-annually. Interests shall be calculated from the amount payable from the Convertible Bonds. The interests of the Convertible Bonds shall be calculated on the basis of 360 days per year, which is 12 months per year and 30 days per month. If the interest payment date is not a business day, then the interests can be paid in the next business day. The amount paid on such business day shall be as effective as the amount paid on the Maturity Date.

If the Convertible Bonds are converted, the relevant Convertible Bonds shall cease to be interest bearing from the last interest payment date before the conversion (if not, from the date of issuance).

The Convertible Bonds shall be interest bearing at the fixed exchange rate of RMB1 to HK\$1.15 and shall be paid in RMB.

Redemption on Maturity

If the Convertible Bonds are not converted before the Maturity Date, the Company shall redeem all outstanding Convertible Bonds in principal amount on the Maturity Date of the Bonds, together with interest incurred but unpaid.

Upon redemption, the Bonds shall be converted at the fixed exchange rate of RMB1 to HK\$1.15, and the redemption price will be paid to the Bondholders in RMB.

Conversion into Shares

(a) The Bondholders opt to convert the Convertible Bonds

- (i) in any business day from the issue date of the Convertible Bonds to the day before and include the Maturity Date, except as otherwise required in relation to tax liability or other statutory provisions, the Bondholders shall be entitled (the “Conversion Rights”) to convert the Convertible Bonds entirely or in part into the Shares of the Company.
- (ii) The Bondholders shall only be entitled to exercise their all Conversion Rights under the Convertible Bonds in the following circumstances: (i) such Bondholders, their associates and their persons acting in concert (within the meaning of the Codes on Takeovers and Mergers and Share Repurchases) will not control, in aggregate, 30% or more of the voting rights of the issued share capital of the Company as a result of the exercise of the Conversion Rights, unless such bondholders are granted the whitewash waiver under the requirements of the Takeover Codes or make an offer to other shareholders of the Company to acquire the Shares of the Company pursuant to the requirement of the Takeover Codes; and (ii) upon the exercise of the Conversion

Rights by the Bondholders, the level of the public float shall not be lower than 25% of the enlarged issued share capital as a result of the issuance of the Conversion Shares by the Company.

(b) Means of Conversion

On the conversion date, the number of the Conversion Shares shall be determined by taking the principal amount divided by the conversion price for the time being. Conversion Shares shall not be issued in fractions, which will be adjusted by the Company in cash and paid in RMB at the fixed exchange rate of RMB1 to HK\$1.15.

The initial price of the Conversion Shares is HK\$0.24 (upon conversion, the bond principal and conversion price shall be calculated in RMB at a fixed exchange rate of RMB1 to HK\$1.15 (the “**Conversion Price**”).

The Bondholders shall be entitled to convert into 1 Share of the Company at HK\$0.24. The principal will be reduced HK\$0.24 upon each conversion of 1 Share.

The total conversion amount will be used entirely for the subscription of the Conversion Shares.

The Conversion Shares will be issued at HK\$0.24 per each Consideration Share, which represents:

- (i) a discount of approximately 16.67% to the average closing price of HK\$0.288 per Share quoted on the Stock Exchange in the last five trading days before the date of such agreement.
- (ii) a discount of approximately 17.24% to the closing price of HK\$0.29 per Share quoted on the Stock Exchange on the Last Trading Day.

Transferability

- (a) The bonds constitute a direct and unconditional obligation to the Company, except as otherwise required in relation to tax liability or other statutory provisions. The Company will not make an application for the Bonds in any jurisdiction;
- (b) Subject to (1) the Stock Exchange or the Listing Rules; (2) listing approval in respect of the Conversion Shares under the Bonds; and (3) conditions, approvals, requirements and any other provisions of any relevant laws and regulations, the Bonds are freely transferable only subject to this clause. However, such transfer shall be made to parties independent of the Company and the connected persons (within the meaning of the Listing Rules) of the Company and any of its subsidiaries and their respective associates (within the meaning of the Listing Rules);
- (c) The Bonds assigned or transferred may comprise the outstanding principal entirely or in part;
- (d) The transfer of the title of the Bonds shall be effective only after the bondholders mentioned in the “**Form and Face Value**” below for such transfer are registered in the registers. The Bondholders shall be deemed as the absolute owner of the Bonds in any aspect. Subject to the provisions of (b) and (c) above, the Bonds can be lodged to the registered address of the Company in Hong Kong by serving the certificates of the

Convertible Bonds together with the duly completed transfer notice, and shall be transferred upon the execution and approval of the Company. Upon the receipt of the relevant documents, the Company shall, within 7 days, cancel the prevailing certificates of the Convertible Bonds, and issue new and stamped certificates of the Convertible Bonds to the assigned or transferee, and deposit such certificates of the Convertible Bonds in the business address of the Company in Hong Kong on temporary basis for collection.

The Company will not register the transfer of the relevant Bonds in the following period: (i) within 7 days before any payment date, including the date, of the principal of this Convertible Bonds; (ii) upon serving the conversion notice by the Bondholders; or (iii) within 7 days before any interest payment date, including the date, of the terms of this Convertible Bonds.

Effect on the shareholding structure of the Company

As at the date of this announcement, the Company has 824,000,000 issued shares. The shareholding structure of the Company as at (i) the date of this announcement; (ii) immediately after the issuance and allotment of the Conversion Shares are as follows,

Shareholder	Note	As at the date of this announcement		Immediately after the exercise of the Convertible Bonds	
		Number of Shares	Approximate %	Number of Shares	Approximate %
Substantial Shareholders (Note 1)		331,556,694	40.24	331,556,694	33.53
Public Shareholders		492,443,306	59.76	492,443,306	49.8
Subscriber		<u>0</u>	<u>0</u>	<u>164,800,000</u>	<u>16.67</u>
Total		<u>824,000,000</u>	<u>100.0</u>	<u>988,800,000</u>	<u>100.0</u>

Notes:

- (1) The substantial shareholders are Think Wise Holdings Investment Limited, Snowy Wise Limited and Rightful Style Limited, wholly owned and controlled by Mr. Ding Peiji, Ms. Ding Lizhen and Mr. Ding Peiyuan respectively.

Reason for the issuance of the Convertible Bonds

The above Acquisition Agreement is the consideration for the acquisition of the Distribution Channels.

LISTING RULES IMPLICATION

Pursuant to Chapter 14 of the Listing Rules, as certain applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a disclosable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Pursuant to the shareholder resolution passed at the annual general meeting, a general mandate was granted to the Directors by the Company to allot and issue shares of up to 20% of the then total number of issued shares of the Company as at 22 September 2016, i.e.

164,800,000 shares. As the conversion shares will be allotted and issued under the general mandate, the subscription and issuance of the conversion shares (upon conversion of the convertible bonds) are not subject to shareholders' approval.

The convertible bonds have the option to convert into conversion shares at the conversion price of HK\$0.24 per conversion share. Assuming the conversion options are exercised in full at the conversion price of HK\$0.24 per conversion share, conversion shares will be allotted and issued to the Subscriber, representing (i) approximately 20% of the issued capital of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued capital of the Company as enlarged by the issuance and allotment of the conversion shares.

As none of the Directors has a material interest in the sale of the distribution channels and the convertible bonds, no Director has abstained from voting on the relevant resolution of the Board approving the transactions.

As completion is subject to the fulfilment of a number of conditions, the transaction may or may not proceed to completion. Shareholders and potential investors are reminded to exercise caution when dealing in the shares.

Valuation

According to the preliminary valuation (the “**Valuation**”) prepared by the Independent Valuer on 31 May 2017, the Valuation will adopt the discounted cash flows method which involves profit, income and cash flow projection, and it is regarded as a profit forecast under Rule 14.61 of the Listing Rules (the “**Profit Forecast**”). In accordance with Rule 14.62(1) of the Main Board Listing Rules, the Valuation will adopt certain specific assumptions where the major assumptions are as follows,

- All the tenancy agreements entered into by the Distribution Channels will be renewed upon expiry;
- For the Distribution Channels to continue to operate as a going concern, the Distribution Channels will successfully carry out all necessary activities for the development of its business;
- Market trends and conditions where the Distribution Channels operates will not deviate significantly from the economic forecasts in general;
- The availability of finance will not be a constraint on the Distribution Channels operations in accordance with the projections;
- Key management, competent personnel and technical staff will be all retained to support the ongoing operations of the Distribution Channels;
- There will be no material changes in the business strategy and operating structure of the Distribution Channels;
- The unaudited financial statements of the Distribution Channels as supplied to us have been prepared in a manner which truly and accurately reflect the financial position of the Distribution Channels as at the respective balance sheet dates;
- Interest rates and exchange rates in the localities for the operation of the Distribution Channels will not differ materially from those presently prevailing;

- All relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities where the Distribution Channels operates or intends to operate will be officially obtained and renewable upon expiry unless otherwise stated; and
- There will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Distribution Channels operates or intends to operate, which would adversely affect the revenues and profits attributable to the Distribution Channels.

Compliance with the Listing Rules

The consideration is based on the reference of, among the others, the Valuation on the Distribution Channels by the Independent Valuer.

The Independent Valuer issued the Valuation and stated that the Valuation of the Distribution Channels was approximately RMB50,880,00 as at 31 May 2017. As the discounted cash flow method has been applied in valuation, the Valuation is regarded as a profit forecast under Rule 14.61 of the Listing Rules. Therefore, Rule 14.60A of the Listing Rule is applicable. HLB Hodgson Impey Cheng Limited reviewed the calculation of the discounted future estimated cash flows of the Valuation and the discounted future estimated cash flows does not involve the adoption of accounting policy. Under Rule 14.60A of the Listing Rules, the letter from HLB Hodgson Impey Cheng Limited has been set out in Appendix I of this announcement.

The qualifications of experts who have provided advice and recommendation in this announcement are as follows,

Name	Qualification
HLB Hodgson Impey Cheng Limited	Reporting Accountant
Peak Vision Appraisals Limited	Independent Valuer

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Independent Valuer and the Reporting Accountant are independent third parties respectively.

The Reporting Accountant have not withdrawn their consent to the publication of this announcement with inclusion of the letter in Appendix I of this announcement and/or all reference to their names in the form and context in which they appear.

Definition

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

“Acquisition”	sale and purchase of the Distribution Channels under the terms of the Acquisition Agreement.
“Acquisition Agreement”	business acquisition agreement dated 2 June 2017 entered into by the purchaser, the seller and the Company in relation to the acquisition of the Distribution Channels.

“Board”	the board of Directors.
“Business Day”	a day other than a Saturday, a Sunday or a public holiday in the PRC, on which banks are open in the PRC to the general public for business.
“Company”	Miko International Holdings Limited, a company incorporated with limited liability under the law of Cayman Islands and the shares of which are listed on the main board of the Hong Kong Stock Exchange Limited.
“Completion Date”	16 June 2017 or other date to be agreed by the parties of the Subscription Agreement.
“Directors”	directors of the Company.
“Distribution Channels”	53 distribution channels in relation to the sales of apparel products operated by the Seller in Sichuan Province, and other assets related to such operation, including but not limited to fixed assets, decoration, display closets, display counters, lightings and audio system.
“Group”	the Company and its subsidiaries.
“Independent Valuer”	Peak Vision Appraisals Limited.
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
“PRC”	the People’s Republic of China.
“Purchaser”	Quanzhou Tuoyu Trade Co., Ltd., a wholly foreign-owned enterprise established under the laws of the PRC on April 15, 2015 and an indirectly wholly-owned subsidiary of the Company, its registered address is at 168 Chongrong Street, Economic and Technical Development Zone, Quanzhou, Fujian Province, the PRC, 362000.
“RMB”	Renminbi, the lawful currency of PRC.
“Reporting Accountant”	HLB Hodgson Impey Cheng Limited
“Seller”	成都佳尚服飾有限責任公司, a company established under the laws of the PRC on 1 March 2011 with limited liability.

“Subscriber” Bright Oasis Investment Holdings Limited (明洋投資控股有限公司), a company incorporated in the British Virgin Islands, its registered address is at Sea Meadoe House, Blackburne Highway, (P.O. Box) Road Town, Tortola BVI.

“%” per cent.

By Order of the Board
Miko International Holdings Limited
Ding Peiji
Chairman

Quanzhou, Fujian Province, China

2 June 2017

As at the date of this announcement, the directors are as follows,

Executive directors:

Mr. Ding Peiji
Mr. Ding Peiyuan
Ms. Ding Lizhen

Independent non-executive directors:

Mr. Hung Cho Sing
Ms. Lo Wing Yan, Emmy
Mr. Chan Wai Wong

APPENDIX I LETTER FROM THE AUDITOR

INDEPENDENT ASSURANCE REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF DISTRIBUTION CHANNELS OF SELLING CHILDREN 'S APPAREL IN SICHUAN PROVINCE, THE PEOPLE REPUBLIC OF CHINA

TO THE DIRECTORS OF MIKO INTERNATIONAL HOLDINGS LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Peak Vision Appraisals Limited of the distribution channels of selling children's apparel (the "**Distribution Channels**") as at 31 May 2017 (the "**Valuation**") is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rule Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and will be included in the announcement dated 2 June 2017 to be issued by Miko International Holdings Limited (the "**Company**") in connection with the acquisition of Distribution Channels of of selling children's apparel in Sichuan Province, the People Republic of China.

Directors' Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcement (the "**Assumptions**"). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances (the "**Announcement**").

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 Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our 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" issued by the HKICPA 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' Responsibility

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. This standard requires that we

comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company's management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of Distribution Channels.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Yours faithfully

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