

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

A. Introduction

The unaudited pro forma statement of assets and liabilities of the Enlarged Group (the “**Statement**”) set out in section B below has been prepared by the directors in accordance with paragraph 14.67 of the Listing Rules, for illustrative purpose only, to provide information about how the proposed Acquisition might have affected the financial position of the Group as if the Acquisition had been completed on 31 March 2016.

The Statement has been prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2016 as set out in the Company’s annual result announcement 2016 dated 28 June 2016 in respect of the Group’s audited results for the year ended 31 March 2016, after making certain pro forma adjustments that are (i) directly attributable to the Acquisition and (ii) factually supportable, as further described in the accompanying notes.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 March 2016. Furthermore, the Statement does not purport to predict the Enlarged Group’s future financial position.

The Statement should be read in conjunction with the financial information of the Group and each members of the Target Company as set out in Appendices I to II to this Circular, respectively, the Company’s announcement dated 13 April 2016 and other financial information included elsewhere in this Circular.

B. Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group

| | The Group as at 31 March 2016 | The Target Company | Pro Forma Adjustments | | | Pro Forma Combined: the Enlarged Group |
|--|--|-----------------------|-----------------------|------------------|----------------|--|
| | (HK\$'000) (audited) Note 1 | (HK\$'000) Note 2 | (HK\$'000) | | | (HK\$'000) |
| | | | Note 3 | Notes 4, 5 | Note 6 | |
| NON-CURRENT ASSETS | | | | | | |
| Property, plant and equipment | 885 | 112 | - | - | - | 997 |
| Deposit paid | 55,042 | - | - | - | - | 55,042 |
| Intangible assets | - | - | - | 160 | - | 160 |
| Goodwill | - | - | - | 150,738 | - | 150,738 |
| Total non-current assets | 55,927 | 112 | - | 150,898 | - | 206,937 |
| CURRENT ASSETS | | | | | | |
| Inventories | 428 | - | - | - | - | 428 |
| Trade and other receivables | 39,503 | 6,678 | - | - | - | 46,181 |
| Cash and cash equivalent | 10,858 | 6,247 | 178,000 | (160,000) | (5,053) | 30,052 |
| Total current assets | 50,789 | 12,925 | 178,000 | (160,000) | (5,053) | 76,661 |
| CURRENT LIABILITIES | | | | | | |
| Trade and other payables | 48,745 | 2,163 | - | - | - | 50,908 |
| Current tax payables | 101 | 1,746 | - | - | - | 1,847 |
| Obligations under finance lease current portion | 160 | - | - | - | - | 160 |
| Total current liabilities | 49,006 | 3,909 | - | - | - | 52,915 |
| NET CURRENT ASSETS | 1,783 | 9,016 | 178,000 | (160,000) | (5,053) | 23,746 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 57,710 | 9,128 | 178,000 | (9,102) | (5,053) | 230,683 |
| NON-CURRENT LIABILITIES | | | | | | |
| Obligations under finance lease non-current portion | 391 | - | - | - | - | 391 |
| Deferred tax liabilities | - | - | - | 26 | - | 26 |
| Total non-current liabilities | 391 | - | - | 26 | - | 417 |
| Net assets | 57,319 | 9,128 | 178,000 | (9,128) | (5,053) | 230,266 |

Notes:

1. The carrying amounts of assets and liabilities of the Group as at 31 March 2016 are extracted from the audited consolidated statement of financial position as at 31 March 2016 set out in the 2016 annual results announcement of the Company dated 28 June 2016.
2. The assets and liabilities of the Target Company are extracted from the statement of financial position of the Target Company as at 31 March 2016 as set out in the Accountant's Report set forth in Appendix II to this circular.
3. This adjustment represents the estimated net proceeds from subscription.
4. Upon the Completion of the Acquisition, the identifiable assets and liabilities of the Target Company will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values as required by the acquisition method in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 3 (Revised) "Business Combinations".

For the purpose of the unaudited pro forma financial information of the Enlarged Group and for illustrative purpose only, the allocation of the purchase price is determined based on the carrying amount of the Target Company's identifiable assets and liabilities as at 31 March 2016 and an recognition of intangible assets, of HK\$160,000. The effect on deferred tax liabilities arising from the fair value adjustment was HK\$26,400.

The fair value of intangible assets, are appraised by an independent valuer with recognised professional qualifications and relevant experience. The fair value of the intangible assets is appraised using the income approach, the Multi-period Excess Earnings Method.

In the opinion of the Directors, the fair value of the assets and liabilities of the Target Company attributable to the Group is subject to changes upon the date of completion as the fair value of the identifiable assets and liabilities will be assessed at the date of completion. Since this Unaudited Pro Forma Financial Information is prepared solely for illustration purpose, the Directors assumed that the provisional fair value of the identifiable assets and liabilities to be the carrying amounts of the assets and liabilities of the Target Company as at 31 March 2016 with adjustments with reference to the fair value of the intangible asset as at 31 March 2016, and accordingly, the possible changes to the fair value of assets and liabilities of the Target Company being attributable to the Group may not be fully reflected in this Unaudited Pro Forma Financial Information.

5. Pursuant to the Acquisition Agreement, the Consideration for the Acquisition of the Sale Shares which amounted to HK\$160,000,000 would be satisfied by the Company to the Vendors at Completion in cash.

Upon Completion, the Target Group would become a wholly-owned subsidiary of the Company and would be accounted for in the consolidated financial statements of the Group.

The difference between the consideration payable and the fair value of the Target Company's net identifiable assets attributable to shareholders of the Target Group will be accounted for as goodwill. Such goodwill will be calculated as below:

| | <i>HK\$'000</i> |
|--|-------------------------------------|
| Consideration payable for the Sale Shares: | |
| Cash | <u>160,000^(a)</u> |
| | <u>160,000</u> |
| Net assets attributable to shareholders of Target Company upon completion of the Acquisition | 9,128 |
| Fair value adjustment on the Target Company | <u>134</u> |
| Goodwill arising from acquisition of 100% equity interest in the Target Company | <u><u>150,738^(b)</u></u> |

- (a) The consideration for the Acquisition under the Acquisition Agreement is HK\$160 million in total. The consideration is payable in three instalments as follows:
- (i) HK\$100 million within 14 days of completion of subscription;
 - (ii) HK\$30 million within 14 days after completion of and an agreement being reached between the Purchaser and the Vendors on the Target Company's June 2016 Accounts and provided that the profit after tax attributable to shareholders based on such unaudited management accounts is not less than HK\$5 million; and
 - (iii) HK\$30 million with 14 days after completion of and agreement being reached between the Purchaser and the Vendors on the Target Company's December 2016 Accounts and provided that the profit after tax attributable to shareholders is not less than HK\$11 million.

For the purpose of this Unaudited Pro Forma Financial Information, the consideration for the Acquisition is assumed to be HK\$160 million, as if the terms discussed in (ii) and (iii) above are satisfied.

- (b) For the purpose of the unaudited pro forma financial information, the Directors have assessed whether there is any impairment in respect of the goodwill expected to arise from the Acquisition following the principles set out in Hong Kong Accounting Standard 36 "Impairment of Assets". Based on the Directors' assessment, the Directors consider that there is no impairment indicator on the goodwill with assumed values set out above.
6. This adjustment represents the acquisition-related costs, such as professional fees for legal services, transfer taxes and other transaction costs, amount to approximately HK\$5,053,000, are accounted as expense in the period. This adjustment will not have any continuing effect on the consolidated statement of cash flows of the Group after Completion.

The Board of Directors
Artini China Co. Ltd.
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Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Artini China Co. Ltd. (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 March 2016 and related notes as set out in section headed “Unaudited Pro Forma Financial Information of the Enlarged Group” in Appendix III of the circular issued by the Company dated 17 August 2016 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are also described in section headed “Unaudited Pro Forma Financial Information of the Enlarged Group” in Appendix III of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisition (the “**Acquisition**”) of the 100% equity interest in Primeview Technology Limited (the “**Target Company**”) on the Group’s financial position as at 31 March 2016 as if the transaction was completed on 31 March 2016. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s annual results announcement for the year ended 31 March 2016.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 31 March 2016 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for

presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- a. the pro forma financial information has been properly compiled on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.



Dominic K. F. Chan & Co.
Certified Public Accountants
Hong Kong

17 August 2016