THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Child Care Corporation Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser(s) or 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).

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

China Child Care Corporation Limited
中國兒童護理有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1259)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 80% OF THE ENTIRE ISSUED SHARE CAPITAL OF REAL POWER INTERNATIONAL GROUP LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 5 to 29 of this circular.

A notice convening the EGM to be held at Room Golden Bay, 2/F, Golden Bay Resort, 168 South Huandeng Road (Huandeng Nan Lu), Dadeng Islands, Xiamen, Fujian Province, The People’s Republic of China on Friday, 17 May 2019 at 9:00 a.m.is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong no later than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude the Shareholders from attending, and voting in person at, the EGM or any adjournment thereof if the Shareholders so wish.

30 April 2019

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below:

"Acquisition"	the acquisition of the Sale Shares by the Company subject to and upon the terms and conditions pursuant to the Sale and Purchase Agreement
"Advance Global"	Advance Global Food Limited (formerly known as Hong Kong Dasheng Agriculture & Food Limited), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
"Advance Global Group"	collectively, Advance Global and its subsidiary
"Announcement"	the announcement of the Company dated 1 March 2019 in respect of the Acquisition involving issue of the Consideration Shares under the Specific Mandate
"Board"	the board of Directors
"Business Day(s)"	any day(s) (excluding Saturday, Sunday and public holiday in Hong Kong) on which licensed banks are generally open for business in Hong Kong and the PRC
"BVI"	British Virgin Islands
"CB Conversion"	the exercise of the conversion rights attached to the Convertible Bond issued by the Target Company to the Company on 15 November 2018 into 25 conversion shares, which represent 20% of the entire issued share capital of the Target Company
"Company"	China Child Care Corporation Limited (stock code: 1259), a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on the Main Board of the Stock Exchange
"Completion"	the completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement

"Completion Date"	thirty (30) Business Days after all the Conditions Precedent (other than such conditions which is/are only capable of being fulfilled upon Completion) are fulfilled or waived in accordance to the Sale and Purchase Agreement (or such other date mutually agreed in writing by the Vendor and the Company)
"Conditions Precedent"	the conditions precedent of the Sale and Purchase Agreement as set out under the paragraph headed "Conditions Precedent" in the letter from the Board of this circular
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the total consideration of HK$42,000,000 for the Acquisition pursuant to the Sale and Purchase Agreement
"Consideration Shares"	200,000,000 new Shares to be issued and allotted, credited as fully paid, to the Vendor under the Specific Mandate at the Issue Price
"Convertible Bond"	the convertible bond of the Target Company in the principal amount of HK$8,000,000
"December Announcement"	the announcement of the Company dated 4 December 2018 in relation to, among other matters, the CB Conversion and the Subscription
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be convened and held for the purpose of considering, and if thought fit, approving, among other things, (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the grant of the Specific Mandate to issue and allot the Consideration Shares
"Enlarged Group"	the Group and the Target Group upon Completion
"Good Honor"	Good Honor Investment Holdings Limited, a company incorporated in the BVI with limited liability
"Group"	collectively, the Company and its subsidiaries

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Third Party(ies)"	a third party(ies) independent of and not connected with the Company and its connected persons
"Issue Price"	the issue price of HK$0.10 per Consideration Share
"Last Trading Date"	1 March 2019, being the last trading date of the Shares before the date of the Sale and Purchase Agreement
''Latest Practicable Date''	26 April 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	being 1 March 2020, or such later date as may be agreed by parties to the Sale and Purchase Agreement
"Mr. Chau"	Mr. Chau Ling, an executive Director and chief executive officer of the Company
"PRC"	the People's Republic of China, which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Sale and Purchase Agreement"	the sale and purchase agreement dated 1 March 2019 for the Acquisition
"Sale Shares"	100 ordinary shares of the Target Company held by the Vendor, being 80% of the entire issued share capital of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)

"Specific Mandate"	a specific mandate to issue, allot or otherwise deal in additional Shares to be sought from the Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules at the EGM to satisfy the issue and allotment of the Consideration Shares upon Completion
"Subscription"	the subscription of the Convertible Bond by the Company on 15 November 2018
"Subject Business"	the food and beverage service industry (in particular, the trading of agricultural products (i.e. frozen meats))
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Real Power International Group Limited, a company incorporated in the BVI with limited liability
"Target Group"	collectively, the Target Company and its subsidiaries
"Vendor"	Pine Victory Trading Limited, a company incorporated in Hong Kong with limited liability
"%"	per cent

For the purpose of this circular, unless the context otherwise requires, conversion of RMB into Hong Kong dollars is based on the approximate exchange rate of RMB1.0 to HK$1.17. No representation is made that any amounts in RMB and HK$ can be or could have been converted at the above exchange rate or any other rates.

* For identification purpose only. The English transliteration of the Chinese name(s) in this circular, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s). In case of inconsistency, the English text of this circular shall prevail over its Chinese text.

China Child Care Corporation Limited
中國兒童護理有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1259)

Executive Directors:
Mr. Tsai Wallen *(Chairman)*
Mr. Chau Ling *(Chief Executive Officer)*

Non-executive Director:
Mr. Li Zhouxin

Independent non-executive Directors:
Ms. Chan Sze Man
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Place of Business in Hong Kong:
Room 2005-2006
Kinwick Centre
32 Hollywood Road
Central
Hong Kong

30 April 2019

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 80% OF THE ENTIRE ISSUED SHARE CAPITAL OF REAL POWER INTERNATIONAL GROUP LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE; AND NOTICE OF THE EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among other matters, the Acquisition involving the issue of the Consideration Shares under the Specific Mandate.

On 1 March 2019 (after trading hours), the Vendor and the Company (as purchaser) entered into the Sale and Purchase Agreement in relation to the Acquisition, pursuant to which the Company conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares, representing 80% of the entire issued share capital of the Target Company as at the Latest Practicable Date at the Consideration of HK$42,000,000 (subject to adjustment). The Consideration shall be satisfied, as to (i) HK$2,000,000 in cash upon the entering into of the Sale and Purchase Agreement as deposit; (ii) HK$20,000,000 in cash upon Completion; and (iii) HK$20,000,000 by the allotment and issue of the Consideration Shares by the Company to the Vendor upon Completion.

The purpose of this circular is to provide you with, among other things, (i) further details of the Sale and Purchase Agreement and the Acquisition; (ii) details of the Specific Mandate; (iii) financial information of the Group; (iv) financial information of the Target Group; (v) the unaudited pro forma financial information of the Enlarged Group; (vi) the valuation report of the Target Group; and (vii) a notice of the EGM.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are as follows:

Date:

1 March 2019 (after trading hours)

Parties:

(i) Vendor: Pine Victory Trading Limited

(ii) Purchaser: the Company

As at the Latest Practicable Date, the Target Company is held as to (i) 80% by the Vendor; and (ii) 20% by the Company.

As at the Latest Practicable Date, Mr. Chau, an executive Director and the chief executive officer of the Company, is interested in 4% of the entire issued share capital of Good Honor, which wholly owns the entire issued share capital of the Vendor. Mr. Chau is one of the directors of each of the Vendor and the Target Company.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save for Mr. Chau, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Subject matter

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire the Sale Shares, representing 80% of the entire issued share capital of the Target Company as at the Latest Practicable Date.

Consideration

The Consideration for the Acquisition is HK$42,000,000 which shall be satisfied by the Company in the following manner:

(i) HK$2,000,000 shall be settled by the Company in cash upon the entering into of the Sale and Purchase Agreement as deposit;

(ii) HK$20,000,000 shall be settled by the Company in cash on Completion; and

(iii) HK$20,000,000 shall be settled by the Company issuing 200,000,000 Consideration Shares at the Issue Price of HK$0.10 per Consideration Share to the Vendor (or its nominee(s)) upon Completion.

As at the Latest Practicable Date, a cash deposit of HK$2,000,000 has been paid to the Vendor.

There shall be no adjustment to the Consideration unless the amount of the net asset value of the Target Group as at 31 December 2018 minus the adjusted net asset value of the Target Group as at the Completion Date (but immediately before Completion) in the completion accounts of the Target Group (the "**NAV Adjustment**") is more than HK$5,000,000, then the Consideration shall be reduced by the amount of the NAV Adjustment and the Vendor shall repay to the Company such amount within seven (7) Business Days after the production of the completion accounts.

Basis of the Consideration

Reference is made to the December Announcement, on 4 December 2018 (after trading hours), the Company exercised the CB Conversion in an aggregate principal amount of HK$8,000,000 and held 20% of the entire issued share capital of the Target Company. The amount of the Subscription was determined between the Company and the Vendor principally based on (i) given that Advance Global was foreclosed and repossessed by a PRC bank (the "**Bank**"), there were significant uncertainties involved in whether and when the Vendor could complete the potential acquisition of the Advance Global Group (the "**Vendor Acquisition**"); (ii) the potential risks of the business operations in the Subject Business as it is substantially different from the existing principal businesses of the Group; and (iii) the operating limitation by the Company of not obtaining a controlling interest in the Target Company upon CB Conversion.

In light of the above uncertainties and risks, after arm's length negotiations between the parties, the senior management of the Company (at the time of the Subscription) had conducted a financial review on the financial position of the Advance Global Group based on a financial due diligence report prepared by a professional reporting accountant. After that, the Board has considered the abovementioned concerns and also balancing the potential benefits which could be brought by the completion of the Vendor Acquisition to the Company, the Company had bargained to invest in the Advance Global Group (i) by way of subscribing of the Convertible Bond which offers the Company an exit option if the Vendor Acquisition could not proceed; and (ii) in the event that the Vendor Acquisition was completed and the CB Conversion realised, the amount of Subscription would represent a relatively deep discount to the financial position of the Advance Global Group, hence, the Directors were of the view that the terms of the CB Conversion were on normal commercial terms and the CB Conversion was in the interests of the Company and its Shareholders as a whole.

Upon CB Conversion, the Board (i) appointed Mr. Chau, who possesses experience in the Subject Business, as the executive Director and the chief executive officer of the Company; and (ii) conducted a more comprehensive business and financial review of Advance Global and had further analysed on the growth opportunities in the Subject Business. The Board believes that acquiring the remaining 80% equity interest and expanding its business into the Subject Business is in line with its business strategies and may generate long term benefits and consistent revenue stream to the Group, and furthermore, the Acquisition could allow the Group to obtain full control of the Target Group.

In light of the above and within arm's length negotiations, the Company and the Vendor have then taken into account of (i) the unaudited net asset value of the Target Group as at 31 December 2018 of approximately HK$62,702,000; (ii) the preliminary valuation of the Target Group of not less than HK$62,000,000 as at 31 December 2018 as prepared by an independent valuer; and (iii) other factors as set out in the sub-section headed "Reasons for and benefits of the Acquisition" in this letter in determining the basis of the Consideration. Given that (a) the Target Group will become wholly-owned subsidiaries of the Company and the operation of the Target Group will be fully controlled by the Group upon Completion; (b) the financial results of the Target Group will be consolidated into the financial statements of the Group upon Completion; (c) after conducting a thorough review of the Target Group's financial position, the Company considers that the Target Group can generate long term benefits to the Group; (d) the business operations have improved since the CB Conversion (including, but not limited to, the improved customers base and suppliers' relationship, as described in the sub-section "Financial Information of Advance Global" in this letter); and (e) yet the Consideration still represents a discount of approximately 16.27% to the net asset value of the Target Group of approximately HK$50,161,600 (i.e. 80% of HK$62,702,000) as at 31 December 2018, hence, the Board is of the view that the Consideration is fair and reasonable and in the interests of the Group and its Shareholders as a whole.

Consideration Shares

The Consideration Shares represent (i) approximately 14.39% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 12.58% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change to the share capital of the Company from the Latest Practicable Date and up to Completion).

The allotment and issue of the Consideration Shares will not result in a change of control of the Company.

The Issue Price of HK$0.10 per Consideration Share represents:

(i) a discount of approximately 48.72% to the closing price of HK$0.195 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

(ii) the closing price of HK$0.100 per Share as quoted on the Stock Exchange on the Last Trading Date;

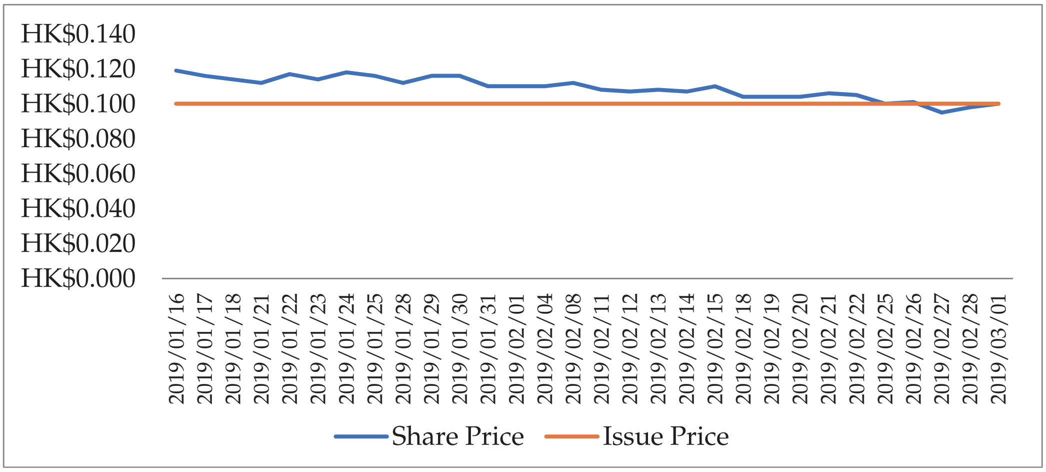
(iii) a premium of approximately 1.01% to the average closing price of HK$0.099 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Date;

(iv) a discount of approximately 1.96% to the average closing price of approximately HK$0.102 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Date;

(v) a discount of approximately 8.26% to the average closing price of approximately HK$0.109 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Date (the "**Review Period**"); and

(vi) a discount of approximately 84.64% to the consolidated net asset value per Share of approximately HK$0.651 (based on the equity attributable to the owners of the Company of approximately HK$905,549,580 as at 31 December 2018 as disclosed in the annual results of the Company for the year ended 31 December 2018 and 1,390,123,000 Shares in issue as at the Latest Practicable Date).

Set out below is the historical daily closing prices of the Shares during the Review Period.



The Directors noted that the Issue Price of HK$0.10 per Consideration Share represents a discount of approximately 84.64% to the consolidated net asset value per Share of approximately HK$0.651 (based on the equity attributable to the owners of the Company of approximately HK$905,549,580 as at 31 December 2018 (the "**Group NAV**") as disclosed in the annual results of the Company for the year ended 31 December 2018 and 1,390,123,000 Shares in issue as at the Latest Practicable Date). However, the Shares had been trading consistently and substantially below the Group NAV per Share during the Review Period and the average of the daily closing prices of the Shares during the Review Period of approximately HK$0.109 also represents a discount of approximately 83.26% to the Group NAV per Share. In other words, the price of the Share has been traded on a deep discount level for a long period. Nevertheless, the Issue Price of HK$0.10 per Consideration Share represents the closing price of HK$0.100 per Share as quoted on the Stock Exchange on the Last Trading Date and only a slight discount of approximately 8.26% to the average closing price of approximately HK$0.109 per Share as quoted on the Stock Exchange for the Review Period, which is better than the all-time average discount to the Group NAV in the Review Period.

Having considered that (i) the Issue Price is only at a slight discount to the trading period immediately prior to the entering into of the Sale and Purchase Agreement; (ii) the Issue Price is within the range and close to the average of the closing prices of the Shares during the Review Period; (iii) the Shares have consistently been trading at a significant discount to the Group NAV per Share; and (iv) the trading price of the Shares is determined in an open market which is a fair market price, i.e. it is the value a buyer is willing to pay for and a seller is willing to sell for each Share on the Stock Exchange while the Group NAV is a reference to the value of the Share that may be returned to the Shareholders if the Group is put under liquidation but it is not a cash value which the Shareholders may require the Group to pay in return for each Share, therefore the Directors are of the view that it is more appropriate to ascertain the Issue Price based on the recent market prices of the Shares than the Group NAV since the recent market prices represents the recent market sentiment and the risk appetite to the trading price of the Shares.

Upon Completion, each of the companies of the Target Group will become a wholly-owned subsidiary of the Company. The financial statements of each of the companies of the Target Group will be consolidated in the accounts of the Group upon Completion. According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, upon Completion, the net assets of the Enlarged Group would be increased from approximately RMB773,974,000 to approximately RMB797,866,000.

During the Review Period, the closing prices ranged from HK$0.095 on 27 February 2019 to HK$0.119 on 16 January 2019. Accordingly, the Issue Price of HK$0.10 represents a premium of approximately 5.26% over the lowest closing price during the Review Period and a discount of approximately 15.97% to the highest closing price during the Review Period. The 10-day average, the 15-day average and the 20-day average are HK$0.102, HK$0.104 and HK$0.106 respectively. As such, the Issue Price represents just slight discounts of approximately 1.96%, 3.85% and 5.66% to the 10-day average, the 15-day average and the 20-day average respectively, which are comparable to the closing price at the Last Trading Date. The Board considered that the Review Period is selected on the basis that it is a reasonable time frame given that it covers a period encompassing the general trend and level of movement of the closing prices of the Shares immediately prior to the entering into of the Sale and Purchase Agreement. The Directors are of the view that such time frame can avoid any long-term fluctuation of the closing prices of the Shares which may distort the commercial negotiations between the Company and the Vendor and in fact, while it also reflects the most recent share price performance of the Company as well as its recent trading volume of the Shares.

Specific Mandate

The Consideration Shares will be issued and allotted pursuant to a Specific Mandate to be sought by the Company at the EGM. The Consideration Shares, when issued upon Completion, will rank *pari-passu* in all respects with the existing Shares in issue. There will be no restriction on the subsequent sale of the Consideration Shares.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent

Completion is conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

(a) the representations, warranties, undertakings and indemnities as stated in the Sale and Purchase Agreement remaining true and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and Completion;

(b) there having been no material adverse changes since the date of the Sale and Purchase Agreement;

(c) the passing by the Shareholders, at the EGM to be convened and held in accordance with the requirements of the Listing Rules, of such resolutions to approve the Sale and Purchase Agreement, the issue of the Consideration Shares and the transactions contemplated thereunder;

(d) the granting of the approval by the Stock Exchange in respect of the transactions contemplated under the Sale and Purchase Agreement and the issue of the Consideration Shares and the Stock Exchange not having withdrawn or revoked such approval; and

(e) the Company having duly performed and observed all terms, conditions, provisions, stipulations, requirements, agreements, covenants and undertakings contained in the Sale and Purchase Agreement and on its part to be performed and observed.

The Company may, in its absolute discretion, waive either in whole or in part at any time any of the Conditions Precedent (save and except conditions (c), (d) and (e) above). The Vendor may, in its absolute discretion, waive either in whole or in part at any time condition (e) above.

Regarding conditions (a) and (b) above, the Company is not aware of any untrue, inaccurate or misleading representations, warranties, undertakings and indemnities. The Company is also not aware of any material adverse changes since the date of the Sale and Purchase Agreement. These two conditions shall be fulfilled by the Vendor, unless the same are waived by the Company. The right of waiving conditions precedent is a common commercial practice to allow flexibility to the parties, and rests solely with the Company. As at the Latest Practicable Date, the Company does not have any current intention to waive the fulfillment of conditions (a) and (b). The Company will not proceed with the Completion if any of the representations, warranties, undertakings and indemnities is untrue, inaccurate or misleading, or if there is any material adverse change since the date of the Sale and Purchase Agreement.

In the event that any of the conditions (a) and (b) above shall not have been fulfilled (or waived) on or before the Long Stop Date, the Company shall be entitled to rescind the Sale and Purchase Agreement whereupon the same shall be terminated and the Company shall not be bound to proceed with the purchase of the Sale Shares subject to the liability of any party to the other in respect of the antecedent breaches of the terms pursuant to the Sale and Purchase Agreement.

In the event that any of the conditions (c), (d) and (e) above shall not have been fulfilled to the satisfaction of the Vendor (or (insofar as condition (e) above is concerned) waived) on or before the Long Stop Date, the Vendor shall be entitled to rescind the Sale and Purchase Agreement whereupon the same shall be terminated and the Vendor shall not be bound to proceed with the sale of the Sale Shares subject to the liability of any party to the other in respect of the antecedent breaches of the terms pursuant to the Sale and Purchase Agreement.

As at the Latest Practicable Date, none of the above Conditions Precedent has been fulfilled or waived.

Completion

Completion shall take place during business hours on the Completion Date after the fulfillment or waiver (as the case may be) of all the Conditions Precedent as stated above.

INFORMATION ON THE VENDOR

The Vendor is a company incorporated in Hong Kong with limited liability and is primarily engaged in operation of food factories. As at the Latest Practicable Date, the Vendor is wholly-owned by Good Honor, a company incorporated in the BVI with limited liability and primarily engaged in the food and beverage business including restaurants and central kitchen production.

As at the Latest Practicable Date, Good Honor is beneficially held as to (i) 84% by Ms. Cheng Wan Gi ("**Ms. Cheng**"); (ii) 12% by Mr. Yuen Hin Wan ("**Mr. Yuen**"); and (iii) 4% by Mr. Chau, an executive Director and the chief executive officer of the Company. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, save for a loan facility agreement entered into between Mr. Yuen and Queen's Finance Limited, an indirectly wholly-owned subsidiary of the Company, each of Ms. Cheng and Mr. Yuen has no other business relationship with the Company and its connected persons.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save for Mr. Chau, each of the other beneficial owners of Good Honor are Independent Third Parties as at the Latest Practicable Date.

INFORMATION ON THE TARGET GROUP

The Target Company was incorporated in the BVI with limited liability on 1 November 2018 and is an investment holding company. As at the Latest Practicable Date, the Target Company is interested in the entire issued share capital of Advance Global and its wholly-owned PRC subsidiary, Guangzhou Dasheng Agriculture & Food Limited* (廣州大生農業食品有限公司), a company incorporated in the PRC with limited liability which has no substantial operation since its incorporation.

Business of Advance Global

Advance Global is principally engaged in the Subject Business since its incorporation. The major products are frozen pork, beef and chicken related products. Advance Global has been primarily supplying frozen food through its wholesale and food chain distribution channels and its customers base consists of more than 250 customers, including but not limited to, well-known wholesalers and major food chain corporations located in Hong Kong. For the year ended 31 December 2018, majority of the revenue streams of Advance Global were generated from both the consignment sales and the wholesale sales. The staff of Advance Global will conduct quality checks on all the received products procured from the suppliers once the products are arrived and stored in the warehouse to ensure the products are able to meet the specifications and are in good conditions for sale.

Advance Global sells all the products sourced from its suppliers directly to its customers and does not engage any third-party distributors. Advance Global has a team of seven experienced sales personnel to (i) manage the marketing and sales of products; (ii) provide tailor-made services, including direct orders tracking and enquiries, promoting specialty food products to targeted customers; and (iii) offering after-sales services including products return and follow-up on complaints.

Advance Global sources its products from more than 40 overseas suppliers mainly from Brazil, Europe and the United States. Advance Global's sourcing capability is one of its key competitive strengths which is mainly attributable to the extensive experience of the management team of Advance Global. The sales credit term given to customers varies from 15 days to 60 days after monthly statement depending on the customers' credit quality. In addition, Advance Global closely monitors the inventory aging and structure to ensure that the inventory liquidity will meet its sales strategy. Advance Global generally accepts returns or exchanges, after examination and upon approval of the sales department, for any defective products that were damaged during transportation and delivery.

Set out below are details of the top three customers and suppliers of Advance Global for the year ended 31 December 2018:

Customers	Purchase products	Sales Revenue	% to the Total Sales Revenue
		HK$ million approximately	*% approximately*
A ("**Customer A**")	Frozen Food	26.53	6.09
B ("**Customer B**")	Frozen Food	12.58	2.89
C ("**Customer C**")	Frozen Food	10.36	2.38

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Customer A (one of the leading fast food chains in Hong Kong), Customer B (a frozen food distributor in Hong Kong) and Customer C (a frozen food distributor in Hong Kong) and their respective ultimate beneficial owners are all Independent Third Parties.

Suppliers	Supply products	Cost of Purchase	% to the Total Cost of Purchase
		HK$ million approximately	*% approximately*
A	Frozen Food	55.26	14.45
B	Frozen Food	31.62	8.27
C	Frozen Food	21.23	5.55

History and background of Advance Global

Advance Global (formerly known as Hong Kong Dasheng Agriculture & Food Limited) was incorporated in Hong Kong with limited liability on 9 June 2017. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, on the date of incorporation of Advance Global, the then beneficial owners were (i) Hong Kong Dasheng Agriculture Holding Company Limited ("**HK Dasheng Holding**"), a wholly-owned subsidiary of Shanghai Dasheng Agriculture Finance Technology Company Limited ("**Shanghai Dasheng**"), a company listed on the Main Board of the Stock Exchange); and (ii) an individual who is an Independent Third Party (the "**Other Owner**"). To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the then owners of Advance Global on its date of incorporation, together with its ultimately beneficial owners, are third parties independent of and not connected with the Company and its connected person as at the Latest Practicable Date.

Due to loan default of a subsidiary of Shanghai Dasheng (the "**Loan**") where the then shares in Advance Global were pledged to a PRC bank (the "**Bank**") as collateral, the Bank enforced foreclosure on the Subject Business, hence Advance Global was foreclosed and repossessed by the Bank. HK Dasheng Holding, being the first chargor, and the Other Owner, being the second chargor (collectively, being the "**Chargors**"), were then acting by receivers (the "**Receivers**"), which was appointed by the Bank, as receivers over Advance Global.

In early September 2018, Mr. Chau, who has been engaging in the food and beverage business and accompanied with more than 10 years of banking industry and working experience in managing investment portfolios focuses on international commodities trading, was approached by a banking officer of the Bank with a view to an offer selling the Bank's 100% equity interest in Advance Global. A viable business plan on the potential acquisition of Advance Global by Good Honor was discussed among Mr. Chau (for and on behalf of Good Honor), banking officers of the Bank and relevant professional parties (including the Receivers).

As the primary concern of the Receivers was the repayment of the Loan, on 21 November 2018, the Target Company, as the purchaser, and the Receivers entered into a sale and purchase agreement, pursuant to which, the Target Company agreed to purchase the entire issued share capital of Advance Global at a consideration of HK$1,000,000 and Good Honor agreed to advance to Advance Global by way of shareholder's loan a sum of HK$56,000,000 to be used to pay off the Loan to the Bank (the "**Aggregate Consideration**"). After several discussions among Good Honor, the Bank and the Receivers, the Aggregate Consideration was determined after arm's length negotiations with reference to a discount to the total assets value of Advance Global of approximately HK$75,000,000 by the time. In view of the amount of the Aggregate Consideration of the proposed acquisition may cause certain capital pressure on Good Honor, Mr. Chau determined to adopt a combination of external financing and internal resources of Good Honor for financing the potential acquisition of Advance Global.

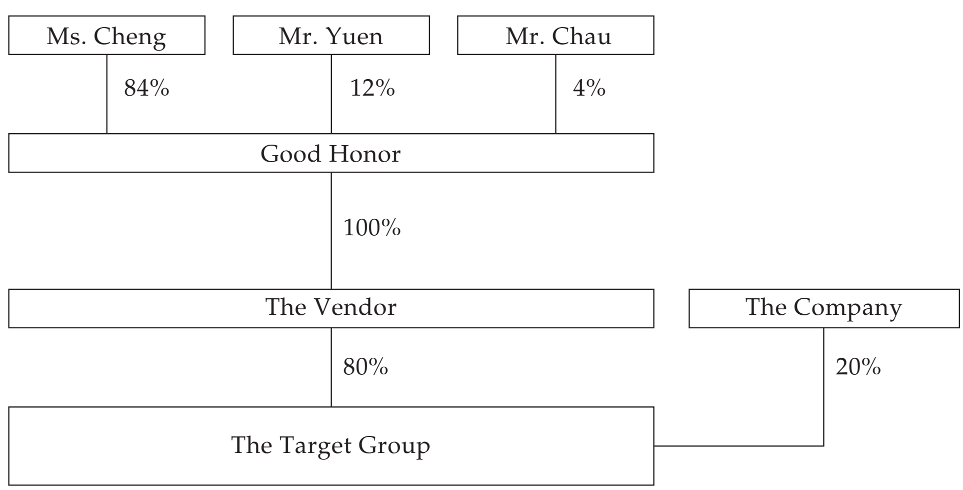
In the middle of October 2018, Mr. Chau as the chief operation officer of Queen's Finance Limited, an indirect wholly-owned subsidiary of the Company, has offered the idea of the potential acquisition of Advance Global to Mr. Wallen Tsai (the then executive Director and chairman of the Company) and the Company. During early November 2018, the Company had commenced commercial negotiations with the Vendor in respect of the participation in the potential acquisition of Advance Global. The Company agreed to provide a financial assistance to the potential acquisition in way of subscribing the Convertible Bond (i.e. the Subscription). Accordingly, immediately after the completion of the abovementioned transaction entered into between the Target Company and the Receivers but prior to the completion of the CB Conversion, Advance Global was wholly-owned by the Target Company.

In the event that Good Honor completed the potential acquisition of Advance Global and assuming the conversion rights attaching to the Convertible Bonds are exercised in full by the Company at the initial conversion price of HK$320,000 per conversion share, a total of 25 conversion shares will be allotted and issued, representing approximately 25% of the issued share capital of the Target Company by the time and approximately 20% of the issued share capital of the Target Company as enlarged by the issue of such conversion shares.

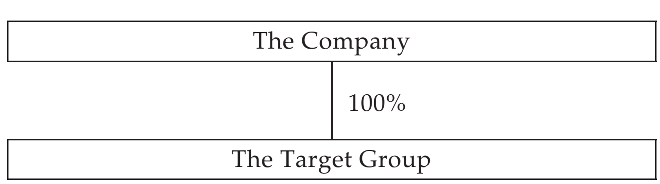
Although the Board is of the view that there has always been a high demand in Hong Kong food and beverage service industry and Advance Global's primary business of trading of frozen meats can meet the demand of the catering industry in Hong Kong, it is considered that the provision of financial assistance by way of Convertible Bond would allow the Company to have an option to exit if the acquisition of Advance Global eventually did not proceed given there is uncertainty of the potential acquisition of Advance Global from the Bank at that time. In addition, the Board would like to take a prudent financial management practice that the Board will conduct a more comprehensive business and financial review of Advance Global upon the completion of the Subscription to decide whether or not to proceed with the CB Conversion. In conclusion, investing in Advance Global by way of subscribing the Convertible Bond is a prudent strategy that allows the Board to convert its equity holdings in the Target Company after Good Honor fully controls the business operation of Advance Global, and a safer option than other financial aims at the specific point of time.

Shareholding structure of the Target Group

(a) Below is the shareholding structure of the Target Group as at the Latest Practicable Date and immediately before Completion:



(b) Below is the shareholding structure of the Target Group upon Completion:



FINANCIAL INFORMATION OF THE TARGET GROUP

The Target Company is a special purpose vehicle established on 1 November 2018 merely for the purpose of acquiring Advance Global, which was completed on 21 November 2018. Set out below is the audited financial information of the Target Group for the period from 1 November 2018 to 31 December 2018 prepared based on the Hong Kong Financial Reporting Standards, respectively as set out in Appendix IIA to this circular:

	For the period from 1 November 2018 (the date of incorporation) to 31 December 2018 (audited) *HK$ approximately*
Revenue	28,386,000
Profit before taxation	1,211,000
Profit after taxation	1,211,000

	As at 31 December 2018
Net assets	62,702,000

Financial information of Advance Global

Set out below is the audited financial information of Advance Global for the period from 9 June 2017 (being the date of incorporation) to 31 December 2017, and the financial year ended 31 December 2018 prepared based on the Hong Kong Financial Reporting Standards, respectively as set out in Appendix IIB to this circular:

	From 9 June 2017 (date of incorporation) to 31 December 2017 (audited) *HK$ approximately*	**For the year ended 31 December 2018** (audited) *HK$ approximately*
Revenue	154,833,000	435,163,000
Loss before taxation	188,000	14,052,000
Loss after taxation	188,000	14,052,000

	As at 31 December 2018
Net assets	5,759,000

The assets of the Target Group primarily consisted of receivables and inventories as illustrated in Appendices IIA and IIB to this circular. The Target Group closely monitored its recoverability of the trade receivables of each customer regularly and noticed some trade receivables have been long outstanding. The management of the Target Group, upon no responses after payments requests were made, would terminate the business relationships with those customers and considered the corresponding trade receivables as irrecoverable. Below are the procedures taken by the Target Group to collect its trades receivables

1. Before sales are made to any customers, the sales department and the management of the Target Group would collect and inspect the relevant information of its potential and existing customers to evaluate their credit terms based on, among other matters, the customers' company size and financial statements (if available), the customers' contact information and business registration certificates, the historical background of the customers' management, the general reputation with suppliers, the length of cooperation relationship, estimated monthly turnover with the Target Group and in the case for limited companies, the management of the Target Group will also conduct general online company search for available information of the customers' directors and shareholders;

2. After sales are made to the customers, the Target Group would then issue monthly statements to its customers to ensure its customers to have knowledge of the outstanding amount due to the Target Group;

3. The accounting department of the Target Group is assigned to be responsible for the reporting of the aging of trade receivables directly to the management of the Target Group on a regular basis and the management of the Target Group monitors and evaluates the recoverability of the trade receivables of each customer;

4. In the cases when involving customers with overdue receivables, the accounting department of the Target Group will send formal letters and/or emails to remind and request such overdue payments while the salesmen of the Target Group will also, depend on the length of the overdue period, make direct calls and/or visits to the customers' office to collect the overdue payments; and

5. In the cases when trade receivables are unable to be collected after the above actions were applied, the management of the Target Group will decide other recovery measures, including but not limited to, turning such overdue cases to debt recovery agent (if necessary) and/or suspending new businesses with these customers.

For the year ended 31 December 2018, the trade receivables that are overdue but not impaired were primarily from the two major customers of Advance Global that have no default payment history records with Advance Global and thus, the management of the Target Group normally grant them longer credit terms. Such overdue but not impaired trade receivables have been fully recovered soon after the year end date. The Directors believe the efficiency of the operation of the Target Group, which had commenced business from June 2017, will continue to improve through time as the management of the Target Group will continue to gain more operational experiences in the Subject Business, including but not limited to, (i) the building of business relationships with both the existing and new customers which may lead to quicker response for repayment to improve receivables turnover days of the Target Group; and (ii) market demand and logistics arrangement which allows the management of the Target Group to make purchases and sales decisions in a more effective way. Advance Global's receivable turnover days have improved from 50 days to 27 days and inventory turnover days have improved from 74 days to 36 days from 2017 to 2018 respectively. Furthermore, from the latest account receivables report of the Target Group for the last three months, the Target Group has achieved 99% recovery on its trade receivables, excluding several minor discrepancies in the invoices which are awaiting settlement and no major credit concerns from the client portfolio has been located. In addition, the Directors noted no significant fluctuation in the ratio for total expenses as compared to total turnover for the two years ended 31 December 2017 and 2018 for the Target Group and expect the revenue and the distribution costs of the Target Group to increase for the year ended 31 December 2018 from the year ended 31 December 2017 as only half year of turnover and expenses were recognised in 2017, the breakdown of distribution costs and the ratio for total expense as compared to total turnover, with references made to Appendix IIB, are set out as below:

	For the year ended 31 December 2017 *HK$ million approximately*	**For the year ended 31 December 2018** *HK$ million approximately*
Warehouse expenses	5.18	16.32
Terminal handling charges	1.46	5.42
Salaries	0.66	1.85
Others	0.42	2.49
Total	7.72	26.08
Turnover	154.83	435.16
Percentage to turnover	5.0%	6.0%

As set out in the December Announcement, the unaudited aggregate net assets value of the Target Company and Advance Global as at 30 November 2018 amounted to approximately HK$74,835,000. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the decrease in the net assets value of the Target Group as at 31 December 2018 (i.e. approximately HK$62,702,000) was mainly due to (i) the impairment losses of approximately HK$8,970,000 on long outstanding trade receivables which are unlikely to be collected as the Target Group reviews the recoverable amount of the individual debt to ensure that adequate impairment losses are made for irrecoverable amounts; and (ii) the impairment losses of approximately HK$3,280,000 on slow moving inventory due to relatively low quality and does not fit the current market trend. Further details of which are set out in Appendix IIB to this circular.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Group will become wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated into the financial statements of the Group.

(i) Earnings

Given that it is expected that there will not be any material transaction cost or administrative expense to be incurred for the Acquisition, the Company considers that there will not be any material effect on the earnings of the Group immediately upon Completion. Taking into consideration of the benefits that the Acquisition can bring to the Group as discussed in this letter, the Directors are of the view that the Acquisition would likely to have a positive impact on the turnover and earnings of the Enlarged Group in the future by adding the revenue stream from the Target Group upon the Completion.

(ii) Assets and Liabilities

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, upon Completion, the Group's total assets as at 31 December 2018 would increase from approximately RMB1,275,296,000 to approximately RMB1,303,584,000 and total liabilities as at 31 December 2018 would increase from approximately RMB428,070,000 to approximately RMB431,620,000, representing a total consolidated net assets position of approximately RMB871,964,000.

Details of which are set out in the unaudited pro forma financial information of the Enlarged Group of Appendix III to this circular.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacture and sale of personal care products, money lending, operation of online platform, trading of commodities, securities investment, properties holding and investment holding.

As disclosed in the December Announcement, in relation to the CB Conversion, it has been the Company's business strategy to expand the Group's existing operations and income base to maximise the interests of the Group and the Shareholders as a whole. The Group has been reviewing its operations and actively exploring other investment opportunities. The Board understands that there has always been a high demand in Hong Kong's food and beverage service industry and given the fact that as compared to fresh meats, frozen meats can be transported conveniently and better preserved, which better meets the business needs of the catering industry in Hong Kong. After further consideration on the growth opportunities in food and beverage service industry, the Directors are of the view that the Group could further benefit from acquisition of the Sale Shares to consolidate the influence of the Company on the Target Company which allows the Group to further participate in the Subject Business in Hong Kong. The terms of the Sale and Purchase Agreement were arrived at after arm's length negotiations between the Company and the Vendor. The Board considers that the terms of the Sale and Purchase Agreement are on normal commercial terms and fair and reasonable.

As at the Latest Practicable Date, the Company has not entered into any agreement, arrangement or undertaking, and has no intention to (i) acquire any other new business; and (ii) dispose and/or downsize of its existing businesses and material operating assets.

The Subject Business

Since commencing business from June 2017, the Target Group through Advance Global has been developing business relationships with its suppliers and customers as mentioned in the sub-sections headed "Business of Advance Global" and "Financial Information of Advance Global" in this letter. Set out below is a breakdown of Advance Global's gross margins for the period between January 2018 to February 2019:

	Turnover generated from trading business	**Gross profit**	**Gross Margins**
	HK$ million approximately	*HK$ million approximately*	*HK$ million approximately*
January 2018	42.01	1.54	3.67%
February 2018	35.37	0.87	2.45%
March 2018	41.68	1.13	2.71%
April 2018	45.77	2.07	4.52%
May 2018	43.21	2.75	6.37%
June 2018	36.63	2.43	6.62%
July 2018	40.19	2.43	6.04%
August 2018	40.72	2.48	6.08%
September 2018	36.85	2.43	6.60%
October 2018	28.86	2.75	9.53%
November 2018	20.58	2.60	12.62%
December 2018	23.50	2.47	10.51%
January 2019	30.13	3.02	10.02%
February 2019	20.92	2.67	12.75%
Average since May 2018			**8.71%**

In assessing the performance in the Subject Business of the Target Group, the Directors were given to understand that Advance Global had adopted penetration business strategies by supplying its frozen meat products at relatively deeper discounts as compared to its competitors in order to procure customers and establish business relationships. The gross margins of Advance Global in 2017 and 2018 were approximately 5.8% and approximately 5.2% respectively mainly due to (i) pricing strategy to attract customers; and (ii) an one-off inventory impairment loss of approximately HK$3,280,000 in 2018, and it also recorded net losses for the two corresponding financial years. Nevertheless, and as demonstrated in the table above, as Advance Global gradually established its suppliers and customer bases, the gross margins of Advance Global increased to an average of approximately 8.7% for the period between May 2018 to February 2019 after supplying its products at less discounts which are more favourable to the gross profit and profitability of Advance Global.

In addition, through identifying companies listed on the Main Board of the Stock Exchange, the Board identified one listed company which is considered to be comparable to the core business of Advance Global in the Subject Business in Hong Kong (the "**Business Comparable**"), and referred to its respective latest published financial information (the "**Comparable AR2018**"), to provide general market reference in terms of its gross margin for comparison purposes, details of which are as stated below:

Business Comparable	**Gross Margin For the year ended 31 March 2018** *(%)*	**Gross Margin For the year ended 31 March 2017** *(%)*
Hong Kong Food Investment Holdings Limited (60)	0.29	5.04
Advance Global's gross margins in March for the respective year	**5.20**	**5.80**

With reference to the Comparable AR2018, in view that (i) the core business of the Business Comparable is the trading of frozen meats, seafood and vegetables and that its trading segment contributed approximately 99.15% of its total revenue for the year ended 31 March 2018 and 100% of its total revenue for the year ended 31 March 2017; and (ii) the relevant business nature of the Business Comparable in terms of overseas suppliers, customers, and frozen meats products are similar to those of the Target Group, the Directors therefore considered that the gross margins of the Business Comparable are representable to the Subject Business to provide a general market reference for comparison purposes.

Having considered (i) Advance Global no longer offers deep discount in its supply of frozen meat products; (ii) there is an improving trend of the gross profit margins since May 2018 and hence its profitability level; and (iii) the historical gross profit margins of Advance Global were better than the Business Comparable, the Board considers that the gross margins of Advance Global are in line with the market and the Acquisition is in the interests of the Company and its Shareholders as a whole.

Going forward, the Target Group will further emphasise on quality-focused strategies on its operations such as maintaining reliable suppliers, providing high quality products with higher gross profits, and monitor market trends and tailor-made products to fit specific customers' needs. In particular, upon Completion, more resources and businesses will be allocated from the PRC market to the Hong Kong market in order to implement better control of the business operation of Advance Global. The Target Group, having filtering and accumulating quality suppliers and customers, is expected to gradually shorten the repayment period and inventory turnovers days in the long run. Moreover, the Target Group is in plan to establish and implement more developed internal control policies on the business of the Target Group upon Completion.

Currently, most of the sales (i.e. approximately 93.35%) of the Target Group are through wholesaling of frozen meats products. Set out below are some details of key customers (i.e. nature of supplies, contract revenue, etc.) and its recent contracts for different product classes in recent months in supplying of the frozen meats:

Customers	**Contract entered into by Advance Global** *HK$ million approximately*	**Nature of supplies**
Customer A	7.31	Frozen pork and beef
Customer C	4.62	Frozen pork and beef
Customer B	4.15	Frozen pork, beef and chicken
D	2.92	Frozen pork and beef
E	2.50	Frozen pork, beef and chicken
F	2.41	Frozen pork, beef and chicken
G	2.27	Frozen pork and beef

In addition to the existing customers base of the Target Group, the Target Group intends to expand its customers base to cover frozen meat retailers as well, in particular reputable branded chain-stores, hotel restaurants and supermarkets, etc. The management of the Target Group are currently negotiating terms with a few new well-known customers in Hong Kong and considering to increase its expenditures in the amount not less than HK$20,000,000 on purchasing products in order to fulfill their demand. By leveraging on the business networks and resources of the Company, and combining with an increase on marketing effort such as increasing the number of sales and marketing channels, the financial performance of the Target Group is expected to be further improved (the "**Development Plan**"). The Target Group expects the size of its marketing expenditures and commitment will be subjected to the amount of monthly returns generated from the existing business of the Target Group.

As the cost of inventory storage accounted a significant part of the expenses in the business operation, the Target Group may also consider to purchase its own inventory storage if suitable opportunity arises and may further seek to form cooperation with reliable logistic specialists in order to lower inventory and transportation costs, with the target to improve the efficiency of the entire business logistic. As at the Latest Practicable Date, the Company has not entered into any agreement, arrangement or undertaking of the above matters.

The Development Plan is intended to be funded by the profit generated from the existing business of the Target Group and (if required) the internal resources of the Group. The Company will continue to closely monitor the business and financial performances of the Target Group and, depends on the then market conditions in the Subject Business, may further expand its investment in the Target Group should the return generated from the business of the Target Group is to be improved. As at Latest Practicable Date, the Company and the Target Group are not aware of significant capital and operating expenditures to be incurred and is not aware of any significant potential impact of the funding requirement to the Group's liquidity and cash flow.

The management team of the Target Group

Upon Completion, the operation management in the Subject Business of the Target Group will be substantially the same as the management of Advance Global. Mr. Chau and the other experienced senior managements are expected to focus on closely monitoring the food market and will take appropriate market interpenetration when opportunities arise.

Mr. Chau, prior to his enrollment as the chief operating officer in Queen's Finance Limited (an indirectly wholly-owned subsidiary of the Company), executive Director and chief executive officer of the Company, was primarily engaged in the managing investment portfolios with focuses on international commodities credit and trading (including but not limited to, agriculture grains and livestock futures) for at least 10 years. Moreover, Mr. Chau has participated in the food and beverage industry in his career as chief operating officer for Good Honor which is a company primarily engaged in the food and beverage business including more than 10 restaurants and bakery outlets, bakery production line and central kitchen production for cooked food supplying for several Japanese restaurants.

Two other senior management staff will also continue to serve in the Target Group as chief executive officer and chief operating officer upon Completion. One of them, who has served as the sales director in the largest and the leading supplier of fresh, live and frozen foodstuffs in Hong Kong prior to his current role in the Target Group, has at least 40 years of food and beverage working experience and is the chief operating officer for the Target Group. The other management member, who has served as the senior product manager in the largest and the leading supplier of fresh, live and frozen foodstuffs in Hong Kong prior to his current role in the Target Group, has at least 11 years of food and beverage working experience, will be the chief executive officer for the Target Group upon Completion.

Other financing alternatives

In addition, the Board has considered other possible financing methods (including bank borrowings, open offer, rights issue and placing of Shares) in relation to the Acquisition. After due consideration, the Directors have concluded that issue of the Consideration Shares is more cost-effective and preferable given that (i) bank borrowings would result in the Company being subject to additional interest expenses, increase the gearing level of the Group and such finance costs would impose financial burden to the Group's future cash flow which is not necessary for the Group; (ii) equity fund raising exercises by way of issue of new Shares to Independent Third Parties or to existing Shareholders on a pro rata basis (i.e. rights issue or open offer) may not provide the requisite amount of funds in a timely manner given the size of the Consideration, higher costs and there is no guarantee of success. The Company considers that underwriters and investors may require a higher discount on the offer price and the costs (including underwriting commission, legal fees and administrative costs) incurred by the Company in rights issue or open offer will be higher than issue of the Consideration Shares. Furthermore, Shareholders will be required to incur a cash outflow should they participate in the exercise or their interests will still be diluted should they choose not to participate; and (iii) currently, the issue price of HK$0.10 per Consideration Share is equivalent to the closing price of the Share on the Last Trading Date. In contrast, fund raising by way of placement of new Shares to Independent Third Parties is usually priced at a steeper discount to the prevailing market price.

The Board also considers that by settling part of the Consideration by issuing the Consideration Shares may engage the Vendor, which is primarily engaged in the Subject Business, to become a strategic partner to the Group to cooperate and facilitate the operations in the Subject Business of the Target Group upon Completion.

Conclusion

Having considered that (i) the Group could fully enjoy and control of the business of the Target Group upon Completion; (ii) the Target Group has ongoing business activities with its stable customers as demonstrated from its existing contracts and/or invoices; (iii) the gross margins arising from trading of frozen meat by the Target Group is improving and were historically better than the Business Comparable; (iv) the existing management of Advance Global to be remained substantially the same upon Completion; (v) the Subject Business may provide additional revenue stream to the Group; and (vi) the Consideration represented a relatively generous discount to the net asset value of the Target Group as at 31 December 2018, the Directors are of the view that the Acquisition is in the interests of the Group and its Shareholders as a whole.

EFFECT OF THE ISSUE OF THE CONSIDERATION SHARES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Consideration Shares:

	As at the Latest Practicable Date		**Immediately after the allotment and issue of the Consideration Shares**	
	No. of Shares	*Approx. %*	*No. of Shares*	*Approx. %*
Golden Sparkle Limited *(note 1)*	263,308,500	18.94	263,308,500	16.56
Da Zhibiao	140,382,500	10.10	140,382,500	8.83
Elite Beauty International Trading (Hong Kong) Co., Limited *(note 2)*	80,000,000	5.75	80,000,000	5.03
The Vendor	–	–	200,000,000	12.58
Public Shareholders	906,432,000	65.21	906,432,000	57.00
Total	**1,390,123,000**	**100.00**	**1,590,123,000**	**100.00**

Notes:

1. These Shares are held by Golden Sparkle Limited, a controlled corporation of Mr. Lai Wai Lam, Ricky and is therefore deemed to be interested by Mr. Lai Wai Lam, Ricky under the SFO.

2. These Shares are held by Elite Beauty International Trading (Hong Kong) Co., Limited, a controlled corporation of Mr. Li Liang and is therefore deemed to be interested by Mr. Li Liang under the SFO.

LISTING RULES IMPLICATIONS

As the completion of the CB Conversion was completed within a 12-month period prior to the date of the Sale and Purchase Agreement, the CB Conversion and the Acquisition are required to be aggregated pursuant to Rule 14.22 of the Listing Rules for the purposes of calculating the percentage ratios (as defined in Rule 14.07 of the Listing Rules).

As one or more of the percentage ratios in respect of the Acquisition (in aggregate with the CB Conversion) is more than 25% but less than 100%, the Acquisition constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules. Accordingly, the Acquisition is subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Chau is considered to have material interests in the Acquisition by virtue of his directorship in the Company and interests in the Target Company. Therefore, he has abstained from voting at the meeting of the Board to approve the Acquisition. Save as disclosed above, no other Director has abstained from voting at the said meeting.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition. As such, no Shareholder is required to abstain from voting under the Listing Rules on the resolution to be proposed at the EGM.

EGM

A notice convening the EGM to be held at Room Golden Bay, 2/F, Golden Bay Resort, 168 South Huandeng Road (Huandeng Nan Lu), Dadeng Islands, Xiamen, Fujian Province, The People's Republic of China, on Friday, 17 May 2019 at 9:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Ordinary resolution(s) will be proposed to the Shareholders at the EGM to consider, among other matters, (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the granting of the Specific Mandate to issue and allot the Consideration Shares.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not the Shareholders are able to attend the EGM, the Shareholders are requested to complete, sign and return the accompanying form of proxy in accordance with the instructions printed on it to the branch share registrar of the Company in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 48 hours before the time fixed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude the Shareholders from attending, and voting in person at, the EGM or any adjournment thereof if the Shareholders so wish.

The Company will publish an announcement on the results of the EGM with respect to whether the proposed resolution have been passed by the Shareholders.

RECOMMENDATION

The Board (including the independent non-executive Directors but not including Mr. Chau who has abstained from voting at the meeting of the Board to approve the Acquisition) consider that the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors but not including Mr. Chau) recommend the Shareholders to vote in favour of the relevant resolution which will be proposed at the EGM for approving (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) the granting of the Specific Mandate to issue and allot the Consideration Shares.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular and the notice of the EGM.

By Order of the Board
China Child Care Corporation Limited
Tsai Wallen
Chairman and Executive Director

1. FINANCIAL SUMMARY OF THE GROUP

The audited consolidated financial statements of the Group for the three years ended 31 December 2018, together with the accompanying notes to the financial statements, are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.princefrog.com.cn/):

Annual results for the year ended 31 December 2018 (pages 6 to 20):

http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0328/LTN201903281610.pdf

Annual report for the year ended 31 December 2017 (pages 66 to 177):

http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0424/LTN20180424415.pdf

Annual report for the year ended 31 December 2016 (pages 83 to 170):

http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0426/LTN20170426637.pdf

2. STATEMENT OF INDEBTEDNESS

At the close of business on 28 February 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the date of this circular, the indebtedness of the Enlarged Group comprises the following:

	As at 28 February 2019 *RMB'000*
Unsecured and guaranteed:	
Bank borrowing	55,000
Secured and guaranteed:	
Other borrowings	98,768
Unsecured and unguaranteed:	
Other borrowings	20,000
Promissory notes	13,615
Total borrowings	187,383

The amounts of borrowings are repayable as follows:

	RMB'000
On demand or within one year	187,383

As at 28 February 2019, the bank borrowings of approximately RMB55,000,000 was guaranteed by the suppliers of the Group, and the other borrowings to the extent of approximately RMB70,000,000 was secured by the entire equity interest of a subsidiary of the Company with the remaining balance of approximately RMB28,768,000 secured by an investment property of the Group.

As at 28 February 2019, the Enlarged Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 28 February 2019
	RMB'000
Within one year	6,826
In the second to fifth years, inclusive	2,943
	9,769

Save as aforesaid and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, as at the close of business on 28 February 2019, the Enlarged Group did not have any loan capital in issue and outstanding or agreed to be issued, bank loans or overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, guarantees, or other material contingent liabilities.

3. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, taking into account the existing banking and other borrowing facilities available, the existing cash and bank balances and the effect of the Acquisition, the working capital available to the Group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Enlarged Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECT

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in manufacturing and sale of personal care products, money lending, operation of online platform, trading of commodities, securities investment, properties holding and investment holdings.

As disclosed in the annual results of the Group for the year ended 31 December 2018, the revenue of the Group was approximately RMB631.20 million, representing a decrease of approximately 20.70% as compared to the year ended 31 December 2017 of approximately RMB795.60 million.

The Group will continue to strengthen, develop and diversify its business portfolio and to further establish a sustainable investment portfolio. New businesses and existing businesses, including manufacture and sale of personal care products, money lending business, operation of online platform, trading of commodities, securities investment and properties holding and investment holdings are developing on an on-going basis, and their proportions in the Group's business portfolio may increase.

Given the slowdown of China's economic growth, the Group is prudent to the utilisation rate of production capacity of its plants manufacturing personal care products. In response to the above adverse business environment, the Group will improve the responsiveness of the supply chain and enhance its product development capability to avoid further decline in sales revenue.

Looking ahead, the Group will continue to expand its money lending business. The Group will also expand the mortgage business to corporate clients. The Group will invest more financial resources to expand these businesses in the coming year, including possible promotion and marketing through media platform. The Group may consider putting certain marketing efforts to promote our brand through various public media. In view of the uncertain economic outlook, the Group will operate and expand the business in a cautious and risk-balanced manner to maintain a balanced portfolio.

The Group will make better use of internal resources to expand businesses of different scopes to make the Group's business more diversified and to improve the profitability of the Group and the interests of shareholders more effectively. The Group will notice and consider from time to time other investment opportunities.

PART A – ACCOUNTANTS' REPORT OF THE TARGET GROUP

The following is the text of a report received from the Target Group's reporting accountants, D & PARTNERS CPA LIMITED, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

D & PARTNERS
CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF REAL POWER INTERNATIONAL GROUP LIMITED AND ITS SUBSIDIARIES

TO THE DIRECTORS OF CHINA CHILD CARE CORPORATION LIMITED

Introduction

We report on the historical financial information of Real Power International Group Limited (the "**Target Company**") and its subsidiaries (collectively referred to as the "**Target Group**") set out on pages IIA-4 to IIA-27, which comprises the consolidated statements of financial position as at 31 December 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for the period from 1 November 2018 (date of incorporation) to 31 December 2018 (the "**Relevant Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIA-4 to IIA-27 forms an integral part of this report, which has been prepared for inclusion in the circular of China Child Care Corporation Limited (the "**Company**") dated 30 April 2019 (the "**Circular**") in connection with the proposed acquisition of 80% of the entire issued share capital of the Target Company.

Directors' Responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which the Historical Financial Information of the Target Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2018 and of the Target Group's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on Matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies (Winding up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page IIA-4 have been made.

Dividends

We refer to Note 8 to the Historical Financial Information which states that no dividends have been paid or declared by the Target Company in respect of the Relevant Period.

No historical financial statements for the Target Group

No financial statements have been prepared for the Target Group since its date of incorporation.

D & PARTNERS CPA LIMITED
Certified Public Accountants
Hong Kong
30 April 2019

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by D & PARTNERS CPA LIMITED in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("**HKD**") and all values are rounded to the nearest thousand ("**HKD thousand**") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the period from 1 November 2018 (date of incorporation) to 31 December 2018 HKD'000
Revenue	5	28,386
Cost of sales		(25,276)
Gross profit		3,110
Other income		119
Fair value change on a derivative financial liability of convertible loan notes	14	(4,471)
Gain on bargain purchases arising from acquisition of a subsidiary	17	4,528
Distribution costs		(1,503)
Administrative expenses		(553)
Finance cost on convertible loan notes	14	(19)
Profit before income tax	6	1,211
Income tax expenses	7	–
Profit and other comprehensive income for the period attributable to owners of the Target Company		1,211

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December 2018
	NOTES	*HKD'000*
Non-current assets		
Office equipment	*10*	106
Current assets		
Inventories	*11*	25,847
Trade and other receivables	*12*	37,210
Bank balances and cash		3,581
		66,638
Current liabilities		
Other payables and accruals	*13*	4,027
Amount due to immediate holding company	*20*	15
		4,042
Net current assets		62,596
Net assets		62,702
Capital and reserves		
Share capital	*15*	1
Share premium		12,490
Capital reserve		49,000
Retained profits		1,211
Total equity		62,702

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Company				
	Share capital	Share Premium	Retained profits	Capital reserve	Total
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Issue of share capital as at 1 November 2018	1	–	–	–	1
Capital injection from immediate holding Company	–	–	–	49,000	49,000
Issue of new shares on conversion of convertible loan notes	–	12,490	–	–	12,490
Profit and comprehensive income for the period	–	–	1,211	–	1,211
As at 31 December 2018	1	12,490	1,211	49,000	62,702

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTE	For the period from 1 November 2018 (date of incorporation) to 31 December 2018 HKD'000
Profit before income tax		1,211
Adjustments for:		
Depreciation		5
Gain on bargain purchase arising from acquisition of a subsidiary		(4,528)
Fair value change on a derivative financial liability of convertible loan notes		4,471
Finance cost on convertible loan notes		19
Operating cash flows before movements in working capital		1,178
Decrease in inventories		818
Increase in trade and other receivables		(8,583)
Decrease in trade and other payables		(519)
Net cash used in operating activities		(7,106)
INVESTING ACTIVITY		
Cash from acquisition of a subsidiary	*17*	10,671
Cash from investing activity		10,671
FINANCING ACTIVITIES		
Proceeds from issue of shares		1
Advance from immediate holding Company		15
Cash from financing activities		16
Net increase in cash and cash equivalents and at end of the period		3,581
Analysis of the balances of cash and cash equivalents		
Bank balances and cash		3,581

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Real Power International Group Limited (the "**Target Company**") is a limited liability company established in BVI. The Target Company is 80% held by the Pine Victory Trading Limited ("**Pine Victory**") and 20% is held by China Child Care Corporation Limited. Pine Victory is a company incorporated in Hong Kong with limited liability and is primarily engaged in operating food factories. The address of its registered office is Room 1519, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung, Hong Kong.

Pine Victory is 100% wholly owned by Good Honor Investment Holdings Limited. Good Honor Investment Holdings Limited is a company incorporated in BVI with limited liability and is primarily engaged in the food and beverage business including operating restaurants and central kitchen production.

The Historical Financial Information is presented in Hong Kong dollars ("**HKD**"), which is same as the functional currency of Target Group.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with International Financial Reporting Standards ("**IFRSs**"). In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Company Ordinance.

3. APPLICATION OF IFRS

For the purpose of preparing the Historical Financial Information for the Relevant Period, the Target Group has consistently applied the accounting policies which conform with IFRSs which are effective for the accounting periods beginning on 1 November 2018 throughout the Relevant Period.

New and revised IFRSs issued but not yet effective

At the date of this report, the following new and revised IFRSs which have not been applied in the Historical Financial Information were in issue but not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[2]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[3]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after a date to be determined

The directors of the Target Company do not expect that the adoption of the new and revised IFRSs listed above will have a material impact on the financial statements of the Target Group in the foreseeable future, except IFRS 16 as noted below.

IFRS 16 Leases

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

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Target Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Target Group.

As at 31 December 2018, the Target Group has non-cancellable operating lease commitments of approximately HK$496,000 as disclosed in note 16. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Target Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

In addition, the Target Group currently considers refundable rental deposits paid of approximately HK$146,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with the following accounting policies which conform to IFRSs. In addition, the Historical Financial Information include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis, as modified by revaluation of derivative financial instrument which is carried at fair value, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Target Company and entities controlled by the Target Company and its subsidiaries (collectively referred to as the "**Target Group**"). Control is achieved when the Target Company:

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

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

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

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

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

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Target Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

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

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

Revenue recognition

Under IFRS 15, The Target Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good and service (or a bundle of goods and services) that is distinct or a series of distinct goods or service that are substantially the same.

To determine whether to recognise revenue, the Target Group follows a 5-step process:

i. Identifying the contract with a customer

ii. Identifying the performance obligations

iii. Determining the transaction price

iv. Allocating the transaction price to the performance obligations

v. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised at a point of time, when the Target Group satisfies performance obligations by transferring the promised goods or services to its customers.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leases

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

The Target Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

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

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the investment.

For the purpose of presenting financial statements, the assets and liabilities of the Target Group's foreign operations are expressed in HKD using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Target Group's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Office equipment

Office equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Depreciation commences when the assets are ready for their intended use and is calculated based on the estimated useful lives of the applicable assets on a straight-line basis, on the following basis:

Office equipment	3 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

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

Financial instruments

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

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

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

Financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Impairment of financial assets

The Target Group recognises a loss allowance for ECL on financial assets and other items which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Group always recognises lifetime ECL for accounts receivable. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Target Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownerships of the assets to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

Financial liabilities are subsequently stated at amortised cost, using the effective interest method or at fair value through profit or loss ("**FVTPL**").

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

- A financial liability is classified as held for trading if: it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Target Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Upon application of IFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible loan notes, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including other payables and amount due to immediate holding company are subsequently measured at amortised cost, using the effective interest method.

Convertible loan notes

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Target Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible loan notes is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible loan notes using the effective interest method.

Derecognition of financial liabilities

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

5. REVENUE

	For the period from 1 November 2018 (date of incorporation) to 31 December 2018 *HKD'000*
Sales of goods	28,386

6. PROFIT BEFORE INCOME TAX

	For the period from 1 November 2018 (date of incorporation) to 31 December 2018
	HKD'000
Profit before income tax has been arrived at after charging (crediting):	
Depreciation	5
Directors' remuneration *(note 9)*	
– fee	–
– salaries and other benefits	–
– discretionary bonus	–
– post-employment benefits	–
	–
Other employee benefit expense	
– salaries	368
– contribution on defined contribution retirement plans	18
– staff welfare	21
Total staff costs	407
Auditor 's remuneration	
– current period	60
Cost of inventories recognised as an expense	25,276

7. TAXATION

No provision for Hong Kong Profit Tax has been made in the financial statements as the Target Group does not have any assessable profit for both periods. Hong Kong Profit Tax is provided at 16.5% for the Relevant Periods.

The tax charge for the year can be reconciled to the profit before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	For the period from 1 November 2018 (date of incorporation) to 31 December 2018
	HKD'000
Profit before income tax	1,211
Tax on the Target Group's profit on ordinary activities at corporate tax rate of 16.5%	200
Tax effect of income net taxable for tax purpose	(747)
Tax effect of expenses not deductible for tax purpose	741
Utilisation of tax losses previously not recognised	(194)
Taxation charge for the period	–

There was no significant unrecognised deferred taxation for the Relevant Periods or as at 31 December 2018.

8. DIVIDENDS

No dividend was paid or declared by the Target Company in respect of the Relevant Period.

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

No emoluments was paid to Director of the Target Company.

The five highest paid employees of the Target Group for the period ended 31 December 2018 included five employees, details of the remuneration are as follows:

	For the period from 1 November 2018 (date of incorporation) to 31 December 2018
	HKD'000
Salaries	174
Contribution on defined contribution retirement plans	8
Total	182

The emoluments of the five highest paid employees were within the following bands:

	For the period from 1 November 2018 (date of incorporation) to 31 December 2018
Emolument bands	
Below HKD1,000,000	5

10. OFFICE EQUIPMENT

	Office Equipment
	HKD'000
COST	
Additions arising from acquisition of a subsidiary and as at 31 December 2018	180
ACCUMULATED DEPRECIATION	
Additions arising from acquisition of a subsidiary	69
Charge for the period	5
As at 31 December 2018	74
CARRYING AMOUNT	
As at 31 December 2018	106

11. INVENTORIES

	As at 31 December 2018 HKD'000
Agriculture products for resale	25,847

12. TRADE AND OTHER RECEIVABLES

	As at 31 December 2018 HKD'000
Trade receivables	24,630
Prepayments to suppliers	12,427
Other receivables	153
	37,210

All the trade receivables are denominated in Hong Kong dollars. The average credit period on sales is 60 days. No interest is charged on the overdue trade receivables.

The following is an aged analysis of trade receivables presented based on the invoice dates:

	As at 31 December 2018 HKD'000
0–30 days	14,312
31–60 days	7,604
61–90 days	2,273
Over 90 days	441
	24,630

Aging of past due but not impaired

	As at 31 December 2018 HKD'000
61–90 days	2,273
Over 90 days	441
Total	2,714

The Target Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Based on evaluation on expected loss rate and gross carrying amount, the directors of the Target Company is of the opinion that the ECL in respect of these balances is considered immaterial as the trade receivable is short-term nature and most of them are fully collectible per historical experience.

13. OTHER PAYABLES AND ACCRUALS

	As at 31 December 2018
	HKD'000
Other payables and accruals	608
Receipt in advance	3,041
Salaries payables	378
	4,027

14. CONVERTIBLE LOAN NOTES

On 15 November 2018, the Target Company issued a zero-coupon, Hong Kong dollar denominated convertible loan notes with aggregate principal amount of HK$8,000,000. The convertible loan notes entitle the holder to convert them into ordinary shares of the Target Company at any time between the date of issuance and their maturity date on 14 January 2019, being two months from the date of its issuance, at a conversion price of HK$320,000 per convertible share subject to adjustment in certain events. During the period ended 31 December 2018, the convertible loan notes holder converted all the convertible loan notes into ordinary shares of the Target Company.

The convertible loan notes contain two components, debt component and derivative (including conversion and early redemption options) component. The effective interest rate of the debt component is 4.72%. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The movement of the debt and derivative component of the convertible loan notes for the period is set out as below:

	Debt component	**Derivative Component**	**Total**
	HKD'000	*HKD'000*	*HKD'000*
At issuance date	7,940	60	8,000
Fair value change	–	4,471	4,471
Interest charge	19	–	19
Convert into ordinary shares *(note 15)*	(7,959)	(4,531)	(12,490)
	–	–	–

The fair values of the derivative financial assets and liabilities are calculated using the binomial model. The inputs into the model were as follows:

Fair value option	HK$4,531,000
Share price	HK$544,425
Conversion price	HK$320,000
Expected volatility	59.75%
Expected life	0.11 years
Risk free rate	0.95%

15. SHARE CAPITAL

	Number of Shares	*HKD'000*
Authorised share capital of the Target Company		
At 1 November 2018 (date of incorporation) and 31 December 2018	50,000	390,000
Issued and fully paid		
Issue of Share Capital at the date of incorporation	100	1
Issue of new shares on conversion of convertible loan notes *(note 14)*	25	–
At 31 December 2018	125	1

As disclosed in note 14, total number of 25 ordinary shares of the Target Company with par value of USD1 each were issued on 21 November 2018 upon the conversion of the convertible loan notes amounting to approximately HKD12,490,000. The new Shares rank pari passu in all respects with existing Shares.

16. OPERATING LEASE COMMITMENTS

	For the period from 1 November 2018 (date of incorporation) to 31 December 2018 *HKD'000*
Minimum lease payments under operating leases recognised in the Historical Financial Information	64

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

	As at 31 December 2018
	HKD'000
Within one year	496
Between two years and five years	–
	496

Operating lease payments represent rentals payable by the Target Group for certain of its office properties.

17. ACQUISITION OF A SUBSIDIARY

On 21 November, 2018, the Target Company acquired 100% of the issued share capital of Advance Global Food Limited (formerly known as "Hong Kong Dasheng Agriculture & Food Limited") for consideration of approximately HK$32,000. This acquisition has been accounted for using the purchase method. The amount of gain arising as a result of the acquisition was approximately HK$4,528,000.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	111
Inventories	26,665
Trade and other receivables	28,627
Bank balances	10,671
Trade and other payable	(4,546)
Other loan payable (note)	(56,968)
	4,560
Consideration satisfied by Pine Victory paid on behalf of the Target Company	(32)
Gain on bargain purchase arising from acquisition of a subsidiary	4,528

Note: As disclosed in note 22, the other loan payable has been repaid by Pine Victory on behalf of the Target Company upon completion of the acquisition.

The fair value of trade and other receivables at the date of acquisition amounted to approximately HK$28,627,000 and is approximately its gross contractual amount.

The revenue included in the consolidated statement of profit or loss and other comprehensive income contributed by Advance Global Food Limited since 21 November 2018 was approximately HK$28,386,000. The profit of approximately HK$1,198,000 was incurred for the same period.

Had this business combination been effected at 1 November 2018 (date of incorporation of the Target Company), the revenue of the Target Group would have been approximately HK$44,024,000, and the loss for the period would have been approximately HK$647,000.

18. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December 2018 *HKD'000*
Financial assets	
Loan and receivables	
Trade receivables	24,630
Bank balances and cash	3,581
	28,211
Financial liabilities	
At amortised cost	
Other payables	876
Amount due to immediate holding company	15
	891

Financial risk management objectives

The Target Group management monitors and manages the financial risks relating to the operations of the Target Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include credit risk and liquidity risk.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Target Group. The Target Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Target Group's exposure and the credit ratings of its counterparties are continuously monitored. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Target Group does not have any significant concentration of credit risk.

Liquidity risk management

Liquidity risk is the risk that the Target Group will not be able to meet its financial obligations as they fall due. The Target Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Target Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Target Group management, which has built an appropriate liquidity risk management framework for the Target Group management of the Target Group's short, medium and long-term funding and liquidity management requirements. The Target Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Target Group's remaining contractual maturity for its financial liabilities (including interest). The tables have been drawn up based on the undiscounted cash flows of financial liabilities.

	Less than 1 year	Total	Effective interest rate
	HKD'000	*HKD'000*	*%*
As at 31 December 2018			
Other payables	876	876	–
Amount due to immediate holding Company	15	15	–
	891	891	–

Capital risk management

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

The capital structure of the Target Group consists of equity attributable to owners of the Target Company, comprising issued share capital and retained profits.

19. SUBSIDIARIES

(a) The subsidiaries of the Target Company were as follows:

	Ownership % As at 31 December 2018				
Name of companies	**Directly**	**Indirectly**	**Country of incorporation**	**Country of operations**	**Type of activities**
Advance Global Food Limited (formerly known as Hong Kong Dasheng Agriculture and Food Limited)	100	–	Hong Kong	Hong Kong	Trading of agriculture products
廣州大生農業食品有限公司	–	100	PRC	PRC	Inactive

20. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

During the Relevant Periods, no emoluments has been paid to the directors of the Target Company, who are considered as the key management.

(b) Balance due to immediate holding company

The amounts due to immediate holding company, Pine Victory, are interest free, unsecured and repayable on demand.

21. STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

	As at 31 December 2018
	HKD'000
Non-current assets	
Investment in a subsidiary	32
Current assets	
Amount due from a subsidiary	56,968
Current liabilities	
Accrual	10
Amount due to immediate holding company	15
	25
Net current assets	56,943
Net assets	56,975
Capital and reserves	
Share capital	1
Share premium	12,490
Capital reserve	49,000
Accumulated Loss *(Note)*	(4,516)
Total equity	56,975

Note:

	Accumulated loss
	HKD'000
As at the date of incorporation	–
Loss and total comprehensive expenses for the period	4,516
As at 31 December 2018	4,516

22. MAJOR NON-CASH TRANSACTION

On 21 November 2018, the Target Company acquired a subsidiary, Advance Global Food Limited, at a consideration of approximately HK$32,000. The amount was paid on behalf by Pine Victory.

On 15 November 2018, the Target Company issued convertible loan notes with aggregated principal amount of HK$8,000,000 and the proceeds were received on behalf by Pine Victory.

During the period, the Target Group settled an other loan payable amounted approximately HK$56,968,000. The amount was repaid on behalf by Pine Victory.

23. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group, the Target Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2018.

PART A – ACCOUNTANTS' REPORT OF THE TARGET GROUP

The following is the text of a report received from the Target Group's reporting accountants, D & PARTNERS CPA LIMITED, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

D & PARTNERS
CERTIFIED PUBLIC ACCOUNTANTS

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF ADVANCE GLOBAL FOOD LIMITED (FORMERLY KNOWN AS "HONG KONG DASHENG AGRICULTURE & FOOD LIMITED") AND ITS SUBSIDIARIES

TO THE DIRECTORS OF CHINA CHILD CARE CORPORATION LIMITED

Introduction

We report on the historical financial information of Advance Global Food Limited ("**Advance Global**") and its subsidiaries (collectively referred to as the "**Advance Global Group**") set out on pages IIB-4 to IIB-24, which comprises the consolidated statements of financial position as at 31 December 2017 and 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of Advance Global Group for the period from 9 June 2017 (date of incorporation) to 31 December 2017 and the year ended 31 December 2018 (the "**Relevant Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIB-4 to IIB-24 forms an integral part of this report, which has been prepared for inclusion in the circular of China Child Care Corporation Limited (the "**Company**") dated 30 April 2019 (the "**Circular**") in connection with the proposed acquisition of 80% of the entire issued share capital of Real Power International Group Limited.

Directors' Responsibility for the Historical Financial Information

The directors of Advance Global are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of Advance Global determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of the Circular in which the Historical Financial Information of the Advance Global Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Advance Global, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Advance Global Group's financial position as at 31 December 2017 and 2018 and of the Advance Global Group's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on Matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies (Winding up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page IIB-4 have been made.

Dividends

We refer to Note 8 to the Historical Financial Information which states that no dividends have been paid by the Advance Global in respect of the Relevant Period.

No historical financial statements for the Advance Global Group

No financial statements have been prepared for the Advance Global Group since its date of incorporation.

D & PARTNERS CPA LIMITED
Certified Public Accountants
Hong Kong
30 April 2019

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Advance Global Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by D & PARTNERS CPA LIMITED in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars ("**HKD**") and all values are rounded to the nearest thousand ("**HKD thousand**") except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the period from 9 June 2017 (date of incorporation) to 31 December 2017 HKD'000	For the year ended 31 December 2018 HKD'000
Revenue	5	154,833	435,163
Cost of sales		(145,787)	(412,705)
Gross profit		9,046	22,458
Other income		812	4,028
Impairment losses on trade receivables		–	(8,973)
Distribution costs		(7,716)	(26,076)
Administrative expenses		(2,330)	(5,490)
Loss before income tax	6	(188)	(14,053)
Income tax expenses	7	–	–
Loss and other comprehensive expense for the period/year attributable to owners of Advance Global		(188)	(14,053)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December	
		2017	**2018**
	NOTES	*HKD'000*	*HKD'000*
Non-current assets			
Office equipment	*10*	143	106
Current assets			
Inventories	*11*	53,785	25,847
Trade and other receivables	*12*	48,395	37,210
Bank balance and cash		17,733	3,581
		119,913	66,638
Current liabilities			
Other payables and accruals	*13*	8,415	4,017
Amount due to a fellow subsidiary	*18*	91,829	–
Amount due to immediate holding company	*18*	–	56,968
		100,244	60,985
Net current assets		19,669	5,653
Net assets		19,812	5,759
Capital and reserves			
Share capital	*14*	20,000	20,000
Accumulated losses		(188)	(14,241)
Total equity		19,812	5,759

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Advance Global		
	Share capital	**Accumulated losses**	**Total**
	HKD'000	*HKD'000*	*HKD'000*
Issue of share capital as at 9 June 2017	20,000	–	20,000
Loss and comprehensive expense for the period	–	(188)	(188)
As at 31 December 2017	20,000	(188)	19,812
Loss and comprehensive expense for the year	–	(14,053)	(14,053)
As at 31 December 2018	20,000	(14,241)	5,759

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the period from 9 June 2017 (date of incorporation) to 31 December 2017	For the year ended 31 December 2018
	HKD'000	*HKD'000*
Loss before income tax	(188)	(14,053)
Adjustments for:		
Depreciation	16	58
Interest income	–	(1)
Impairment losses on trade receivables	–	8,973
Impairment on inventory	–	3,276
Operating cash flows before movements in working capital	(172)	(1,747)
(Increase) decrease in inventories	(53,785)	24,662
(Increase) decrease in trade and other receivables	(48,395)	2,212
Increase (decrease) in trade and other payables	8,415	(4,398)
Net cash used in generated by operating activities	(93,937)	20,729
INVESTING ACTIVITIES		
Purchase of equipment	(159)	(21)
Interest received	–	1
Net cash used in investing activities	(159)	(20)
FINANCING ACTIVITIES		
Proceeds from issue of shares	20,000	–
Advance from (repayment to) a fellow subsidiary	91,829	(34,861)
Net cash from (used in) financing activities	111,829	(34,861)
Net increase (decrease) in cash and cash equivalents	17,733	(14,152)
Cash and cash equivalents at beginning of the period/year	–	17,733
Cash and cash equivalents at end of the period/year	17,733	3,581
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	17,733	3,581

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Advance Global Food Limited (formerly known as "Hong Kong Dasheng Agriculture Food Company Limited") (the "**Company**") is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 1519, Vanta Industrial Centre, 21-33 Tai Lin Pai Road, Kwai Chung. The principal activity of the Company is trading of agricultural products in Hong Kong.

The Company's immediate holding company is Real Power International Group Limited ("**Real Power**"), a limited liability company established in BVI, and its ultimate parent is Good Honor Investment Holdings Limited, a limited liability company established in BVI.

The Historical Financial Information is presented in Hong Kong dollars ("**HKD**"), which is same as the functional currency of Target Group.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with International Financial Reporting Standards ("**IFRSs**"). In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Company Ordinance.

3. APPLICATION OF IFRS

For the purpose of preparing the Historical Financial Information for the Relevant Period, the Advance Global Group has consistently applied the accounting policies which conform with IFRSs which are effective for the accounting periods beginning on 9 June 2017 throughout the Relevant Period.

New and revised IFRSs issued but not yet effective

At the date of this report, the following new and revised IFRSs which have not been applied in the Historical Financial Information were in issue but not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[2]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[3]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after a date to be determined

The directors of Advance Global do not expect that the adoption of the new and revised IFRSs listed above will have a material impact on the financial statements of the Advance Global Group in the foreseeable future, except IFRS 16 as noted below.

IFRS 16 Leases

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

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Advance Global Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$496,000 as disclosed in note 15. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$146,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of high-of-use assets.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with the following accounting policies which conform to IFRSs. In addition, the Historical Financial Information include applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis, as explained in the accounting policies set out below.

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Advance Global Group's accounting policies.

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

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Advance Global Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

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

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

Revenue recognition

Under IFRS 15, the Advance Global Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good and service (or a bundle of goods and services) that is distinct or a series of distinct goods or service that are substantially the same.

To determine whether to recognise revenue, the Advance Global Group follows a 5-step process:

i. Identifying the contract with a customer

ii. Identifying the performance obligations

iii. Determining the transaction price

iv. Allocating the transaction price to the performance obligations

v. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised at a point of time, when the Advance Global Group satisfies performance obligations by transferring the promised goods or services to its customers.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leases

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

The Advance Global Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

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

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Advance Global Group's foreign operations are expressed in HKD using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Advance Global Group's foreign currency translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Office equipment

Office equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Depreciation commences when the assets are ready for their intended use and is calculated based on the estimated useful lives of the applicable assets on a straight-line basis, on the following basis:

Office equipment	3 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

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

Financial instruments

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

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

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

Financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Impairment of financial assets

The Advance Global Group recognises a loss allowance for ECL on financial assets and other items which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Advance Global Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Advance Global Group always recognises lifetime ECL for accounts receivable. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Advance Global Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Advance Global Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Advance Global Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Advance Global Group in accordance with the contract and the cash flows that the Advance Global Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Derecognition of financial assets

The Advance Global Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownerships of the assets to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized and the consideration paid and payable is recognized in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

Financial liabilities including other payables, amount due to a fellow subsidiary and amount due to immediate holding company are subsequently stated at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

5. REVENUE

	For the period from 9 June 2017 (date of incorporation) to 31 December 2017 *HKD'000*	For the year ended 31 December 2018 *HKD'000*
Sales of goods	154,833	435,163

6. LOSS BEFORE INCOME TAX

	For the period from 9 June 2017 (date of incorporation) to 31 December 2017 *HKD'000*	For the year ended 31 December 2018 *HKD'000*
Loss before income tax has been arrived at after charging (crediting):		
Depreciation	16	58
Directors' remuneration *(note 9)*		
– fee	–	–
– salaries and other benefits	–	–
– discretionary bonus	–	–
– post-employment benefits	–	–
	–	–
Other employee benefit expense		
– salaries	1,894	4,578
– contribution on defined contribution retirement plans	88	206
– staff welfare	142	338
Total staff costs	2,124	5,122
Auditor 's remuneration		
– current period/year	50	50
Cost of inventories recognised as an expense	145,787	409,429
Impairment loss on inventory	–	3,276

7. TAXATION

No provision for Hong Kong Profit Tax has been made in the financial statements as the Advance Global Group does not have any assessable profit for both periods. Hong Kong Profit Tax is provided at 16.5% for the Relevant Periods.

The tax charge for the year can be reconciled to the loss before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	For the period from 9 June 2017 (date of incorporation) to 31 December 2017 *HKD'000*	For the year ended 31 December 2018 *HKD'000*
Loss before income tax	188	14,053
Tax on the Target Group's profit on ordinary activities at corporate tax rate of 16.5%	31	2,319
Tax effect of tax losses not recognised	(31)	(2,319)
Taxation charge for the period/year	–	–

There was no significant unrecognised deferred taxation for the Relevant Periods or as at 31 December 2018.

8. DIVIDENDS

No dividend was paid or declared by the Advance Global in respect of the Relevant Period.

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

No emoluments was paid to Director of the Advance Global.

The five highest paid employees of the Advance Global Group for the Relevant Period included five employees, details of the remuneration are as follows:

	For the period from 9 June 2017 (date of incorporation) to 31 December 2017 *HKD'000*	For the year ended 31 December 2018 *HKD'000*
Salaries	1,109	2,485
Contribution on defined contribution retirement plans	47	107
Total	1,156	2,592

The emoluments of the remaining highest paid employees were within the following bands:

	For the period from 9 June 2017 (date of incorporation) to 31 December 2017	For the year ended 31 December 2018
Emolument bands		
Below HKD1,000,000	5	5

10. OFFICE EQUIPMENT

	Office Equipment
	HKD'000
COST	
Additions for the period ended 31 December 2017 and as at 31 December 2017	159
Additions	21
As at 31 December 2018	180
ACCUMULATED DEPRECIATION	
Charge for the period ended 31 December 2017 and as at 31 December 2017	16
Charge for the year	58
As at 31 December 2018	74
CARRYING AMOUNT	
As at 31 December 2018	106
As at 31 December 2017	143

11. INVENTORIES

	As at 31 December	
	2017	2018
	HKD'000	*HKD'000*
Agriculture products for resale	53,785	25,847

12. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	**2018**
	HKD'000	*HKD'000*
Trade receivables	38,821	24,630
Prepayments to suppliers	9,571	12,427
Other receivables	3	153
	48,395	37,210

All the trade receivables are denominated in Hong Kong dollars. The average credit period on sales is 60 days. No interest is charged on the overdue trade receivables.

The following is an aged analysis of trade receivables presented based on the invoice dates:

	As at 31 December	
	2017	**2018**
	HKD'000	*HKD'000*
0–30 days	25,009	14,312
31–60 days	13,773	7,604
61–90 days	39	2,273
Over 90 days	–	441
	38,821	24,630

Aging of past due but not impaired

	As at 31 December	
	2017	**2018**
	HKD'000	*HKD'000*
61–90 days	39	2,273
Over 90 days	–	441
Total	39	2,714

The Advance Global Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Based on evaluation on expected loss rate and gross carrying amount, the directors of the Target Company is of the opinion that the ECL in respect of these balances is considered immaterial as the trade receivable is short-term nature and most of them are fully collectible per historical experience.

13. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2017	**2018**
	HKD'000	*HKD'000*
Other payables and accruals	1,730	598
Receipt in advance	6,283	3,041
Salaries payables	402	378
	8,415	4,017

14. SHARE CAPITAL

	Number of Shares	*HKD'000*
Issued and fully paid		
Issue of Share Capital at the date of incorporation, 31 December 2017 and 2018	20,000	20,000

15. OPERATING LEASE COMMITMENTS

	For the period from 9 June 2017 (date of incorporation) to 31 December 2017	**For the year ended 31 December 2018**
	HKD'000	*HKD'000*
Minimum lease payments under operating leases recognised in the Historical Financial Information	–	132

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

	As at 31 December	
	2017	**2018**
	HKD'000	*HKD'000*
Within one year	–	496
Between two years and five years	–	–
	–	496

Operating lease payments represent rentals payable by the Advance Global Group for certain of its office properties.

16. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December	
	2017	**2018**
	HKD'000	*HKD'000*
Financial assets		
Loans and receivables		
Trade receivables	38,821	24,630
Bank balance and cash	17,733	3,581
	56,554	28,211
Financial liabilities		
At amortised cost		
Other payables	2,082	876
Amount due to a fellow subsidiary	91,829	–
Amount due to immediate holding company	–	56,968
	93,911	57,844

Financial risk management objectives

The Advance Global Group management monitors and manages the financial risks relating to the operations of the Advance Global Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include credit risk and liquidity risk.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Advance Global Group. The Advance Global Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Advance Global Group's exposure and the credit ratings of its counterparties are continuously monitored. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Advance Global Group does not have any significant concentration of credit risk.

Liquidity risk management

Liquidity risk is the risk that the Advance Global Group will not be able to meet its financial obligations as they fall due. The Advance Global Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Advance Global Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Advance Global Group management, which has built an appropriate liquidity risk management framework for the Advance Global Group management of the Advance Global Group's short, medium and long-term funding and liquidity management requirements. The Advance Global Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Advance Global Group's remaining contractual maturity for its financial liabilities (including interest). The tables have been drawn up based on the undiscounted cash flows of financial liabilities.

	Less than 1 year	Total	Effective interest rate
	HKD'000	*HKD'000*	*%*
As at 31 December 2017			
Other payables	2,082	2,082	–
Amount due to a fellow subsidiary	91,829	91,829	–
	93,911	93,911	–
As at 31 December 2018			
Other payables	876	876	–
Amount due to immediate holding Company	56,968	56,968	–
	57,844	57,844	–

Capital risk management

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

The capital structure of the Advance Global Group consists of equity attributable to owners of Advance Global, comprising issued share capital and accumulated losses.

17. SUBSIDIARY

The subsidiary of the Advance Global were as follows:

Name of companies	Ownership % As at 31 December 2017	2018	Country of incorporation	Country of operations	Type of activities
Guangzhou Dasheng Agriculture & food Limited (廣州大生農業食品有限公司)	–	100	PRC	PRC	Inactive

18. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

During the Relevant Periods, no emoluments has been paid to the directors of Advance Global, who are considered as the key management.

(b) Related Party Transaction

For Relevant Periods, the Advance Global Group entered into following transactions with a related party

	For the period from 9 June 2017 (date of incorporation) to 31 December 2017	For the year ended 31 December 2018
	HKD'000	*HK'000*
Sales to a fellow subsidiary	–	1,894

(c) Balance due to a fellow subsidiary/immediate holding company

The amounts due to a fellow subsidiary/immediate holding company are interest free unsecured and repayable on demand.

19. MAJOR NON-CASH TRANSACTION

On 21 November 2018, Real Power acquired 100% shares of Advance Global. On completion, Real Power advanced a shareholder's loan with a sum of HK$56,968,000 to Advance Global to enable Advance Global to pay off and discharge an other loan payable due to a former fellow subsidiary with the amount of HK$56,968,000. The shareholder's loan advanced to Advance Global by Real Power was paid by Pine Victory Trading Limited on behalf of Real Power during the year.

20. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Advance Global Group, Advance Global or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2018.

A. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma assets and liabilities of the Enlarged Group (**"Unaudited Pro Forma Financial Information**") has been prepared in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Acquisition.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2018 as extracted from the published 2018 annual results of the Group dated 28 March 2019 announced by the Company ("**2018 Annual Results**") and the audited consolidated statement of financial position of the Target Group as at 31 December 2018 as extracted from the accountants' report set out in Appendix II to this Circular, after making pro forma adjustments where appropriate, as if the Acquisition had been completed on 31 December 2018.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the assets and liabilities of the Enlarged Group on the Completion Date. Accordingly, the Unaudited Pro Forma Financial Information does not purport to describe the assets and liabilities of the Enlarged Group that would have been attained had the Acquisition been completed on the date indicated herein or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the 2018 Annual Results and other financial information included elsewhere in this Circular.

I. Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

	Notes	*The Group at 31 December 2018* RMB'000 (Audited) *(Note 1)*	*The Target Group at 31 December 2018* RMB'000 (Audited) *(Note 2)*	*Sub-total* RMB'000	Pro forma adjustment: *Consideration for the acquisition* RMB'000 *(Note 3)*	Pro forma adjustment: *Elimination of investment costs* RMB'000 *(Note 4)*	Pro forma adjustment: *Reclassification of current account* RMB'000 *(Note 5)*	Pro forma adjustment: *Cost of Acquisition* RMB'000 *(Note 6)*	*The Enlarged Group* RMB'000 (Pro forma adjusted)
Non-current Assets									
Property, plant and equipment		171,823	93	171,916	–	–	–	–	171,916
Prepaid land lease payments		10,511	–	10,511	–	–	–	–	10,511
Investment properties		115,768	–	115,768	–	–	–	–	115,768
Properties for development		123,854	–	123,854	–	–	–	–	123,854
Goodwill		22,800	–	22,800	–	–	–	–	22,800
Investment in a subsidiary		–	–	–	52,651	(52,651)	–	–	–
Interests in associates		616	–	616	–	–	–	–	616
Interests in joint ventures		–	–	–	–	–	–	–	–
Deferred tax assets		804	–	804	–	–	–	–	804
Financial assets at fair value through other comprehensive income		128,361	–	128,361	(11,015)	–	–	–	117,346
Loan and interests receivables		107,753	–	107,753	–	–	–	–	107,753
Prepayments and deposits		16,700	–	16,700	–	–	–	–	16,700
		698,990	93	699,083	41,636	(52,651)	–	–	688,068
Current Assets									
Inventories		102,239	22,704	124,943	–	–	–	–	124,943
Loan and interest receivables		68,338	–	68,338	–	–	–	–	68,338
Trade and bills receivables		82,164	32,685	114,849	–	–	–	–	114,849
Prepayments, deposits and other receivables		40,861	–	40,861	–	–	–	–	40,861
Other financial assets		14,010	–	14,010	–	–	–	–	14,010
Amounts due from related companies		9,782	–	9,782	–	–	–	–	9,782
Amounts due from an associates		23,589	–	23,589	–	–	–	–	23,589
Amount due from a joint venture		5,896	–	5,896	–	–	–	–	5,896
Amounts due from non-controlling interest		2,961	–	2,961	–	–	–	–	2,961
Tax recoverable		136	–	136	–	–	–	–	136
Pledged bank deposits		7,442	–	7,442	–	–	–	–	7,442
Cash and cash equivalents		218,888	3,146	222,034	(19,325)	–	–	(846)	201,863
		576,306	58,535	634,841	(19,325)	–	–	(846)	614,670

	Notes	The Group at 31 December 2018 RMB'000 (Audited) (Note 1)	The Target Group at 31 December 2018 RMB'000 (Audited) (Note 2)	Sub-total RMB'000	Pro forma adjustment: Consideration for the acquisition RMB'000 (Note 3)	Elimination of investment costs RMB'000 (Note 4)	Reclassification of current account RMB'000 (Note 5)	Cost of Acquisition RMB'000 (Note 6)	The Enlarged Group RMB'000 (Pro forma adjusted)
Current Liabilities									
Trade and bills payables		70,770	–	70,770	–	–	–	–	70,770
Other payables and accruals		43,123	3,537	46,660	–	–	13	–	46,673
Bank and other borrowings		173,768	–	173,768	–	–	–	–	173,768
Promissory notes payables		13,615	–	13,615	–	–	–	–	13,615
Amounts due to associates		92,065	–	92,065	–	–	–	–	92,065
Amount due to a joint venture		4	–	4	–	–	–	–	4
Amounts due to non-controlling interest		830	–	830	–	–	–	–	830
Amount due to a related company		1,500	–	1,500	–	–	–	–	1,500
Amount due to a shareholder		–	13	13	–	–	(13)	–	–
Tax payable		16,977	–	16,977	–	–	–	–	16,977
		412,652	3,550	416,202	–	–	–	–	416,202
Net Current Assets		163,654	54,985	218,639	(19,325)	–	–	(846)	198,468
Total Assets less Current Liabilities		862,644	55,078	917,722	22,311	(52,651)	–	(846)	886,536
Non-current Liabilities									
Deferred tax liabilities		15,418	–	15,418	–	–	–	–	15,418
		847,226	55,078	902,304	22,311	(52,651)	–	(846)	871,118
Capital and Reserves									
Share capital		11,649	1	11,650	1,757	(1)	–	–	13,406
Share premium		519,572	10,971	530,543	20,554	(10,971)	–	–	540,126
FVTOCI revaluation reserve		(33,223)	–	(33,223)	–	–	–	–	(33,223)
Share option reserve		38,070	–	38,070	–	–	–	–	38,070
Capital redemption reserve		16	–	16	–	–	–	–	16
Capital reserve		11	43,042	43,053	–	(43,042)	–	–	11
Exchange reserve		11,088	–	11,088	–	–	–	–	11,088
Retained profits		226,791	1,064	227,855	–	(1,064)	–	(846)	228,372
Equity attributable to owners of the Company		773,974	55,078	829,052	22,311	(52,651)	–	(846)	797,866
Non-controlling interests		73,252	–	73,252	–	–	–	–	73,252
		847,226	55,078	902,304	22,311	(52,651)	–	(846)	871,118

Notes:

1. The financial information of the Group is extracted from the published 2018 Annual Results of the Group dated 28 March 2019 as announced by the Company.

2. The financial information of the Target Group is extracted from the audited consolidated statement of financial position as at 31 December 2018 as set out in the Accountant's Report of the Target Group included in Appendix II to this circular.

   Certain amounts extracted are reclassified to conform to the presentation of the audited consolidated statement of financial position of the Group. Such classification is just for the purpose of the illustration of Unaudited Pro Forma Financial Information.

   The functional currency of the Target Company and the presentation currency of the Target Group are both Hong Kong dollars ("**HK$**"). For illustrative purpose, the assets and liabilities of the Target Group as at 31 December 2018 are translated into RMB, the presentation currency of the Group, at the exchange rate of HK$1 to RMB0.8784, being the exchange rate prevailing as at that date.

   Such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

3. Pursuant to the Agreement, the Group has agreed to acquire 80% issued share capital of the Target Company at an aggregate consideration of HK$42,000,000 which will be satisfied by approximately HK$22,000,000 in cash and by the issue of 200,000,000 shares of the Company as Consideration Shares at the issue price of HK$0.10 per consideration share.

   An analysis of the deemed cost of investment in the subsidiary upon completion of the Acquisition is as follows:

	Notes	*RMB'000*
Fair value of the consideration for the Acquisition		
Cash consideration	*(a)*	19,325
Consideration Shares	*(b)*	22,311
Total consideration for acquisition of 80% equity interests in the Target Company		41,636
Fair value of 20% equity interests of the Target Company held by the Group	*(c)*	11,015
Deemed cost of investment in the Target Company		52,651

   Notes:

   (a) The fair value of cash consideration is calculated at HK$22,000,000 (equivalent to RMB19,325,000).

   (b) The fair value of the Consideration Shares, which is calculated with reference to the closing price of the Company's shares of HK$0.127 at 31 December 2018 is estimated to be HK$25,400,000 (equivalent to RMB22,311,000). The nominal amount of the Consideration Shares is HK$2,000,000 (equivalent to RMB1,757,000) will be recorded as share capital and the amount to be recognised as share premium of the Consideration Shares, being the excess of the fair value of the Consideration Shares over their nominal amount, is HK$23,400,000 (equivalent to RMB20,554,000).

(c) The Group held 20% equity interest of the Target Group with the carrying amount of RMB11,015,000 at 31 December 2018 included in financial assets at fair value through other comprehensive income at 31 December 2018. This investment will be reclassified to form part of the investment in the Target Company at the date of completion. Fair value at the date of completion of 20% equity interest of the Target Group are assumed to be the same as its carrying amount as at 31 December 2018.

(d) As the fair value of the Consideration Shares for the Acquisition and the fair value of 20% equity interests of the Target Company at the Completion Date are yet to be determined and measured, the deemed cost of investment in the Target Company can only be determined at Completion.

4. The Acquisition will be accounted for as an acquisition of a subsidiary at Completion. For illustrative purpose, the gain on bargain purchase, which represents the excess of fair value of identifiable assets and liabilities of the Target Group over the fair value of the total consideration for the Acquisition and the fair value of the Group's previously held interest in the Target Company, is calculated as follows:

	Notes	*RMB'000*
Fair value of identifiable assets and liabilities of the Target Group at 31 December 2018	*(a)*	55,078
Less: Investment in the Target Company *(note 3)*		(52,651)
Gain on bargain purchase on the Acquisition	*(b)*	2,427

Notes:

(a) For the purpose of the Unaudited Pro Forma Financial Information, the Directors has estimated that the fair value of the identifiable assets and liabilities of the Target Group at 31 December 2018, are approximately their respective carrying amounts at that date as shown in the Accountant's Report. In addition, the fair value of the identifiable assets and liabilities of the Target Group as at 31 December 2018 are translated into RMB, the presentation currency of the Group, at the exchange rate of RMB1 to HK$0.8784.

(b) The adjustment reflects the consolidation entries for elimination of investments in the Target Company and their share capital and pre-acquisition reserve. It is expected that the completion of the Acquisition may generate a gain on bargain purpose of approximately RMB2,427,000 to the Group.

As the fair value of the Consideration Shares and the assets and liabilities of the Target Company at the Completion Date are yet to be identified and measured. The actual amount of net gain can only be determined at the Completion.

5. The adjustment reflects the reallocation of amount due to a shareholder of the Target Group to other payables and accruals.

6. The adjustment represents the recognition of the acquisition costs attributed to the Acquisition amounting to approximately RMB846,000 as estimated by the Directors.

7. No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group and the Target Group subsequent to 31 December 2018.

II Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Enlarged Group Per Share

Unaudited consolidated net assets of the Group attributable to owners of the Company as at 31 December 2018	Goodwill of the Group as at 31 December 2018	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018
RMB'000	*RMB'000*	*RMB'000*
(Note 1)	*(Note 2)*	*(Note 3)*
773,974	22,800	751,174

	RMB
Unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share prior to the completion of the Proposed Acquisition *(Note 4)*	0.5404

Unaudited pro forma consolidated net assets of the Enlarged Group attributable to owners of the Company as at 31 December 2018	Goodwill of the Enlarged Group as at 31 December 2018	Unaudited pro forma consolidated net tangible assets of the Enlarged Group attributable to owners of the Company as at 31 December 2018
RMB'000	*RMB'000*	*RMB'000*
(Note 5)	*(Note 6)*	*(Note 7)*
797,866	22,800	775,066

	RMB
Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to owners of the Company per Share immediately after completion of the Proposed Acquisition *(Note 8)*	0.4874

Note:

1. The unaudited consolidated net assets of the Group attributable to owners of the Company as at 31 December 2018 of approximately RMB773,974,000 is calculated based on the share capital and reserves of the Group attributable to owners of the Company as at 31 December 2018 as presented in the audited consolidated statement of financial position of the Group as at that date, which is extracted from the published 2018 Annual Results of the Group dated 28 March 2019 as announced by the Company.

2. Goodwill of the Group as at 31 December 2018 amounted to approximately RMB22,800,000 are extracted from the audited consolidated statement of financial position referred to in note 1 above.

3. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018 represent the amount of the consolidated net assets of the Group attributable to owners of the Company as at 31 December 2018 (referred to in note 1 above) less goodwill of the Group as at that date (referred to in note 2 above).

4. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share before completion of the Acquisition is calculated based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2018 of approximately RMB751,174,000 as disclosed in note 3 above, and 1,390,123,000 shares of the Company in issue as at 31 December 2018.

5. The unaudited pro forma adjusted consolidated net assets of the Enlarged Group attributable to owners of the Company as at 31 December 2018 of approximately RMB797,866,000 is calculated based on the share capital and reserves of the Enlarged Group attributable to owners of the Company as at 31 December 2018 as extracted from the unaudited pro forma adjusted consolidated assets and liabilities of the Enlarged Group as at that date shown in section I of this Appendix.

6. Goodwill of the Enlarged Group as at 31 December 2018 of approximately RMB22,800,000 are extracted from the unaudited pro forma adjusted consolidated statement of assets and liabilities referred to in note 5 above.

7. The unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to owners of the Company as at 31 December 2018 represent the amount of the pro forma adjusted consolidated net assets of the Group attributable to owners of the Company as at 31 December 2018 (referred to in note 5 above) less goodwill of the Group as at that date (referred to in note 6 above).

8. The unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to owners of the Company per Share after the completion of the Acquisition is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to owners of the Company as at 31 December 2018 of approximately RMB775,066,000 as disclosed in note 7 above, and 1,590,123,000 shares of the Company in issue and issuable (including 1,390,123,000 shares in issue as at 31 December 2018 and 200,000,000 shares to be issued upon completion of Proposed Acquisition).

9. No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group and the Enlarged Group subsequent to 31 December 2018.

B. REPORT ON UNAUDITED PRO FORMA STATEMENT OF THE ENLARGED GROUP

The following is the text of a report received from the reporting accountant, CCTH CPA Limited, Certified Public Accountants, Hong Kong, for the inclusion in this Circular, in respect of the unaudited pro forma information of the Enlarged Group as set out in this Appendix.

CCTH CPA LIMITED
中正天恒會計師有限公司

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPLIATION ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA CHILD CARE CORPORATION LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma information of China Child Care Corporation Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") and Real Power International Group Limited (the "**Target Company**") and its subsidiaries (the "**Target Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities and the unaudited pro forma statement of adjusted net tangible assets and liabilities of the Enlarged Group as at 31 December 2018, and related notes set out in section I and II of Appendix III of the Company's circular dated 30 April 2019 (the "**Circular**") in connection with the proposed acquisition of 80% of issued share capital of the Target Company by the Company (the "**Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in sections I and II of Appendix III of the Circular.

The Unaudited Pro Forma Financial Information has been complied by the Directors to illustrative the impact of the Acquisition on the Group's financial position and net tangible assets per share as at 31 December 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's annual results for the year ended 31 December 2018.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectively, 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 Accountant's Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. The standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have complied the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 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 unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the unaudited 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 Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition at 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

– the related unaudited pro forma adjustments give appropriate effect to those criteria; and

– the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly complied by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

CCTH CPA Limited
Certified Public Accountants
Hong Kong
30 April 2019

Kwong Tin Lap
Practising Certificate Number P01953

Unit 5-6, 7/F, Greenfield Tower, Concordia Plaza
1 Science Museum Road, Tsim Sha Tsui
Hong Kong

*Set out below is the management discussion and analysis on the Target Group for the period from 1 November 2018 (date of incorporation of the Target Company) to 31 December 2018 and the management discussion and analysis on the Advance Global Group for the period from 9 June 2017 (date of incorporation of Advance Global) (the "**Date of Incorporation**") to 31 December 2018.*

BACKGROUND

The Target Company, a company incorporated in the BVI with limited liability on 1 November 2018, is a special purpose vehicle merely for the purpose of acquiring Advance Global Group and has not commenced business as at the Latest Practicable Date. As at the Latest Practicable Date, the Target Group comprised the Target Company and its subsidiaries including (i) Advance Global; and (ii) Guangzhou Dasheng Agriculture & Food Limited* (廣州大生農業食品有限公司), a company incorporated in the PRC with limited liability which has no substantial operation since its incorporation. The following financial information is based on the audited financial information of the Target Group as set out in Appendices IIA and IIB to this circular.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Business overview of the Target Group and Advance Global

The Target Company was principally engaged in investment holding and has not commenced business since its incorporation. The Target Company wholly owns the entire issued share capital of Advance Global, which was the main business operating entity in the Target Group. Advance Global was incorporated in Hong Kong on 9 June 2017 and engaged in the trading of frozen food with currently over 250 customers and 40 overseas suppliers.

Revenue

Advance Global recorded revenue for the period from the Date of Incorporation to 31 December 2017 of approximately HK$154.8 million and for the year ended 31 December 2018 of approximately HK$435.2 million. The revenue increased by approximately HK$280.4 million or 1.8 times, due to an increase of frozen food market share with larger customer base.

Gross profit

The gross profit of Advance Global amounted to approximately HK$9.0 million and HK$22.5 million for the period from the Date of Incorporation to 31 December 2017 and for the year ended 31 December 2018 respectively. The gross profit slightly decreased by approximately 0.68% from approximately 5.84% for the period from the Date of Incorporation to 31 December 2017 to approximately 5.16% for the year ended 31 December 2018, due to the inventory impairment loss taken into account of cost of goods sold in 2018.

Selling and distribution expenses

The selling and distribution expenses of Advance Global increased by approximately 237.95% from approximately HK$7.7 million for the period from the Date of Incorporation to 31 December 2017 to approximately HK$26.1 million for the year ended 31 December 2018. The increase in selling and distribution expenses was mainly due to the increase of warehouse expenses associated with business volume growth and the increase of plugging-in and demurrage fees when the disposal process of Advance Global was carried out, which slowed down the business operation cycle.

Administrative expenses

The administrative expenses mainly comprised of staff salary, impairment loss and general office expenses. The administrative expenses of Advance Global increased by approximately 1.4 times from approximately HK$2.3 million for the period from the Date of Incorporation to 31 December 2017 to approximately HK$5.5 million for the year ended 31 December 2018. Such increase was mainly due to an increase in office supplies, staff costs and office maintenances as a result of the full year operation for the year ended 31 December 2018.

Loss for the period/ year

Advance Global recorded operating loss for the period from the Date of Incorporation to 31 December 2017 of approximately HK$0.2 million and for the year ended 31 December 2018 of approximately HK$14.2 million, mainly due to the incurrence of impairment loss in 2018.

Capital structure, liquidity and financial resources

As at 31 December 2017 and 31 December 2018, the issued and paid up capital of Advance Global Food Limited amounted to HK$20,000,000 and HK$20,000,000 respectively.

Total assets of Advance Global comprised of property, plant and equipment, trade and other receivables, inventories and cash and bank balances. Trade and other payables and amounts due to fellow subsidiaries/immediate holding company were the main liabilities of Advance Global.

As at 31 December 2017 and 31 December 2018, Advance Global had net assets of approximately HK$19.8 million and HK$5.8 million respectively. The current ratio as at 31 December 2017 and 31 December 2018 were approximately 1.19 and 1.09, respectively. As at 31 December 2017 and 31 December 2018, the cash and bank balances of Advance Global amounted to approximately HK$17.7 million and HK$3.6 million, respectively.

Treasury and funding policies

During the reported period/year, Advance Global financed its working capital through internal funds. To manage liquidity risk, the management of Advance Global closely monitored its liquidity position to ensure that the liquidity structure of Advance Global's assets and liabilities can meet its funding requirements.

Bank borrowings and Gearing Ratio

As at 31 December 2017 and 31 December 2018, Advance Global did not have any bank borrowing and there was no gearing ratio as at 31 December 2017 and 31 December 2018.

Capital commitments

As at 31 December 2017 and 31 December 2018, Advance Global did not have any material capital commitment.

Contingent liabilities

As at 31 December 2017 and 31 December 2018, Advance Global did not have any material contingent liabilities.

Pledge of assets

No assets of Advance Global were pledged as at 31 December 2017 and 31 December 2018.

Foreign exchange exposure

Bank balances and cash of Advance Global were denominated in Hong Kong dollar ("**HK$**") and United States dollar ("**US$**"). The business of Advance Global was located in Hong Kong and most of the sales transactions are conducted in HK$ and US$. As at 31 December 2017 and 31 December 2018, Advance Global had no material exposure to foreign exchange risk as majority of the company's assets were denominated in its functional currency of HK$. Advance Global had not hedged its foreign exchange rate risk as US$ was linked with HK$ and thus the management considered that the exchange rate risk was limited and minimal. Management will closely monitor the fluctuation in the currency and take appropriate actions when conditions arises.

Employment and remuneration policies

As at 31 December 2017 and 31 December 2018, Advance Global employed 15 and 15 permanent staffs in Hong Kong respectively. Staff costs for the period from the Date of Incorporation to 31 December 2017 and for the year ended 31 December 2018 excluding directors' remuneration were approximately HK$2.1 million and approximately HK$5.1 million. Advance Global reviews staff remuneration once a year, or as its management consider appropriate. Employee remuneration was determined by reference to market terms and the performance, qualification and experience of individual employee.

Material acquisitions and disposals of subsidiaries and associated companies

There was no material acquisitions and disposals of subsidiaries and associated companies of Advance Global during the period from the Date of Incorporation to 31 December 2017 and the year ended 31 December 2018. Advance Global has no future plan for material investments or capital assets.

Prospects

The Target Group will continue to implement quality focused strategy in business operation, which is a competitive advantage in food trading industry.

In view of high expectations of food quality, Advance Global will keep focusing on its client's needs and introducing famous-brand products and reliable suppliers to provide high-quality products so that the after-sale cost can be minimised and the business reputation of Advance Global can be maintained.

Relying on the market in Hong Kong, Advance Global has methodically expanded its local market through various sales channels. Advance Global will continuously launch innovative products to cater to market demands. The number of customers will increase steadily and the customer base will be diversified in the coming years. Management will closely monitor food market and take appropriate market interpenetration when opportunity appears.

The following is the text of letter and valuation report prepared for the purpose of incorporation in this circular, received from Savills Valuation and Professional Services Limited, an independent valuer, in connection with its valuation as at 31 December 2018 of the equity interest of Target Company to be acquired by the Group.

Savills Valuation and
Professional Services Limited
1208, Cityplaza One
1111 King's Road, Taikoo Shing
Hong Kong

T: (852) 2801 6100
F: (852) 2530 0756

EA Licence: C-023750
savills.com

The Board of Directors
China Child Care Corporation Limited
Room 2005-2006
Kinwick Centre
32 Hollywood Road
Central
Hong Kong

30 April 2019

Dear Sirs,

RE: VALUATION OF 80% EQUITY INTEREST IN REAL POWER INTERNATIONAL GROUP LIMITED

In accordance with the instructions of China Child Care Corporation Limited (the "**Company**"), we have undertaken a valuation to determine the Market Value (to be defined below) of 80% equity interest (the "**Equity**") in Real Power International Group Limited ("**Real Power**") as at 31 December 2018 (the "**Valuation Date**").

1. PURPOSE OF VALUATION AND STANDARD OF VALUE

The purpose of this valuation is to express an independent opinion of the Market Value of the Equity in Real Power as at the Valuation Date for your internal reference purpose in connection with the contemplated acquisition of the Equity in Real Power ("**Contemplated Acquisition**").

According to International Valuation Standards ("**IVS**"), Market Value is defined as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

2. BACKGROUND OF REAL POWER

Real Power itself is a special purpose vehicle established on 1 November 2018 merely for the purpose of acquiring Advance Global Food Limited (the "**Operating Company**", formerly known as "**Hong Kong Dasheng Agriculture & Food Limited**") and its subsidiary, Guangzhou Dasheng Agriculture & Food Limited ("**PRC Subsidiary**"), which has no substantial operation since its incorporation in China (together with Real Power, the "**Target Group**").

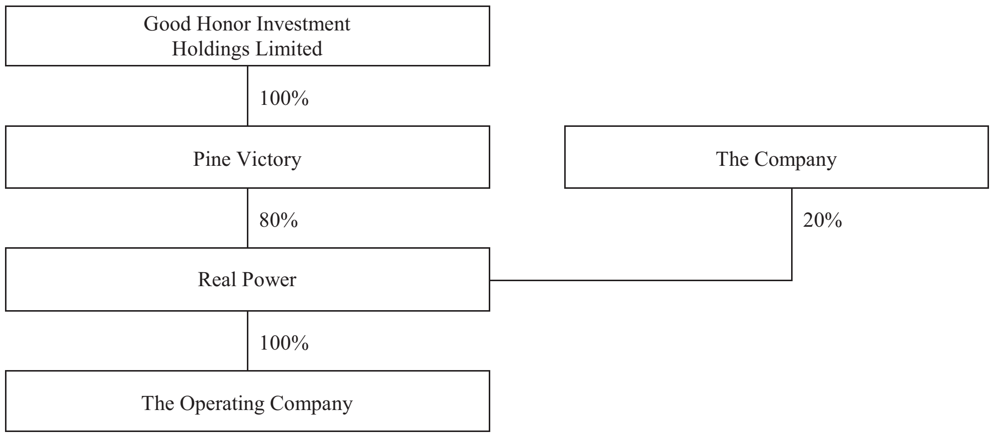
The Operating Company is a company incorporated in Hong Kong with limited liability on 9 June 2017 and is primarily engaged in the trading of agriculture products in Hong Kong, i.e. frozen meats. It currently has over 250 customers and 40 overseas suppliers and 15 permanent staff in Hong Kong as of the Valuation Date. The major trading products are beef, pork and chicken related products.

On 21 November 2018, Real Power acquired 100% equity interest in the Operating Company for consideration of approximately HKD32,000 ("**Real Power Acquisition**").

As at the Valuation Date, Real Power is an investment holding company which held 100% equity interest in the Operating Company and it was held as to 80% by the Pine Victory Trading Limited ("**Pine Victory**") and 20% by the Company. Pine Victory is a company incorporated in Hong Kong with limited liability and is primarily engaged in operation of food factories. As at the Valuation Date, Pine Victory is wholly-owned by Good Honor Investment Holdings Limited. Good Honor Investment Holdings Limited is a company incorporated in the BVI with limited liability and is primarily engaged in the food and beverage business including restaurants and central kitchen production.

A group chart of Real Power as at the Valuation Date is shown as below:

Group structure of the Target as at the Valuation Date



(Source: Announcement)

3. VALUATION METHODOLOGY AND BASIS

In conducting the valuation, we have considered three generally accepted approaches, including income approach, market approach and cost approach (or asset approach). Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Selection of valuation approach will be determined by the specific characteristics of the subject of the valuation and commonly adopted practice.

3.1. Cost approach/Asset approach

According to the IVS, the cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

In the business valuation context, cost approach is often presented as asset approach, in which Market Value of the business entity is derived from the sum of Market Value of its existing assets less the Market Value of its liabilities.

3.2. Market approach

According to the IVS, the market approach provides an indication of value by comparing the asset with identical or comparable (i.e. similar) assets for which price information is available.

In the business valuation context, the market approach valuation shall analyse recent transaction(s) in the equity interest of the valuation subject and/or comparable companies and benchmark the valuation subject with the selected comparable(s).

3.3. Income approach

According to the IVS, the income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset.

In the business valuation context, under income approach, value of the business entity is derived primarily from the present value ("**PV**") of its future cash flow, typically through the use of discounted cash flow ("**DCF**") method.

4. VALUATION ANALYSIS

Given that Real Power is an investment holding company without its own operation, we have adopted asset approach to value its equity by valuing the investment in subsidiary (i.e. the Operating Company) as well as other assets and liabilities on the statement of financial position of Real Power. As at the Valuation Date, the only assets held at Real Power level are the investment in subsidiary, and amount due from a subsidiary. The only liabilities at Real Power level are trade and other payables, and amount due to immediate holding company.

4.1. Investment in subsidiary

For the investment in subsidiary which is investment in 100% equity interest at the Operating Company, we have considered the three generally accepted approaches above-mentioned in arriving at the Market Value of the Operating Company.

The income approach is not adopted as no long term financial projection has been prepared by Real Power or the Company for the purpose of this business valuation in view of the short operating history of the Operating Company, which was established since 9 June 2017 with less than 2 years of operating history as at the Valuation Date.

Comparable company method under the market approach is not adopted in view of the short operating history of the Operating Company which affects comparability with publicly listed companies engaging in similar business. Although there was a recent transaction in the Operating Company, being the Real Power Acquisition in November 2018, we understand that prior to the Real Power Acquisition, the Operating Company was in receivership due to loan default of a fellow subsidiary of the then shareholders, where shares in the Operating Company was pledged to the bank as collateral. The primary concern of the receivers, who were appointed by the bank, was the repayment of bank loan. In the Real Power

Acquisition, Pine Victory, the parent of Real Power, agreed to repay the bank loan on behalf of the Operating Company, ending the receivership of the Operating Company. Therefore, the shares in the Operating Company were not transacted without compulsion, thus the transaction price does not meet the definition of Market Value which is the basis of value in our valuation.

Under asset approach, we are furnished with information of the Operating Company including audited financial statements and related operational information regarding the assets and liabilities held by the Operating Company. We have relied to a considerable extent on such information provided by the Operating Company in arriving at our value.

Based on the audited financial statements as at the Valuation Date provided by the Company, the assets and liabilities held by the Operating Company are as follows:

Assets:

1) Office equipment;

2) Inventories;

3) Trade and other receivables;

4) Cash and cash equivalents

Liabilities:

5) Other payables and accruals; and

6) Amount due to immediate holding company

4.1.1. Office equipment

For the office equipment, we have adopted the book value in the audited financial statements provided as the Market Value in our valuation as they are currently in use for business operation.

4.1.2. Inventories

Inventories are frozen meats purchased and stored in third party warehouses rented by the Operating Company.

Based on the management discussion and analysis of the Target Group and the audited financial statement of Real Power, the Operating Company sold its inventories at a gross profit margin of approximately 5% in 2017 and 2018, and 11% since acquisition by Real Power up to the Valuation Date.

Despite the above, based on further discussion with the Operating Company, prices of inventory may be affected by seasonal effect and the gross profit observed for sales of certain items may not be applicable to the inventories as a whole. We therefore did not mark up the inventories and have adopted the book value of the inventories directly as the Market Value as at the Valuation Date for conservative reason given there is no further information for price movement of the frozen meats market in Hong Kong in future and that the book value is already audited and marked at cost less allowance for any obsolete or slow moving items according to the accounting policy.

4.1.3. Trade and other receivables

For the trade receivables, based on the information provided by the Operating Company, we understand that the sales credit term given to customers varied from 15 days to 60 days after monthly statements depends on credit quality. Based on past trading history with the customers that have outstanding receivable as at the Valuation Date and subsequent settlement record, we estimate the expected credit loss on these outstanding trade receivables as at the Valuation Date to be negligible. We further note that the Operating Company has already impaired receivables that are doubtful prior to acquisition by Real Power, and those doubtful debtors are of different nature from those outstanding as at the Valuation Date. We have therefore considered the Market Value of the receivables to be at their book value as at the Valuation Date.

For the other receivables, based on the information provided by the Company, we understand that the other receivables are primarily prepayment by the Operating Company for purchase of frozen meat as inventory. We further note that the Operating Company intends to utilize the prepayment at book value by taking delivery of the goods. We have therefore adopted the book value of the other receivables as the Market Value as at the Valuation Date.

4.1.4. Cash and cash equivalents

For the cash and cash equivalents, we have adopted the book value in the audited financial statements provided as the Market Value in our valuation.

4.1.5. Other payables and accruals

For the other payables and accruals, it comprises receipt in advance from customers (primarily down payment for frozen meat purchases by the Operating Company), other payables and accruals. We have adopted the book value in the audited financial statements provided as the Market Value in our valuation.

4.1.6. Amount due to immediate holding company

For the amount due to immediate holding company, based on the information provided by the Company, it is an interest-free and repayable-on-demand amount due to Real Power. We have adopted the book value in the audited financial statement provided in our valuation.

Based on the above analysis on the assets and liabilities of the Operating Company as at the Valuation Date, the Market Value of net assets of the Operating Company is as follows:

(In HKD'000)	**Market Value**
Office equipment	106
Inventories	25,847
Trade and other receivables	37,210
Cash and cash equivalents	3,581
Other payables and accruals	(4,017)
Amount due to immediate holding company	(56,968)
Equity value of the Operating Company as at the Valuation Date	5,759
Shareholding of the Operating Company held by Real Power	100%
Market Value of the investment in the Operating Company held by Real Power	5,759

4.2. Amount due from a subsidiary

The amount due from a subsidiary is recorded as liability, being the amount due to immediate holding company at the Operating Company's statement of financial position. As mentioned, we have adopted the book value in the audited financial statements provided as the Market Value in our valuation. This amount is considered recoverable at book value as at the Valuation Date given sufficiency of assets at the Operating Company's level.

4.3. Trade and other payables

For the trade and other payables, we have adopted the book value in the audited financial statements provided as the Market Value in our valuation.

4.4. Amount due to immediate holding company

For the amount due to immediate holding company which is an interest-free and no fixed term payment terms amount due to Pine Victory based on information provided by Real Power, we have adopted the book value in the audited financial statements provided as the Market Value in our valuation.

Based on analysis above, the calculation of Market Value of 80% equity interest in Real Power as at the Valuation Date is as follows:

(In HKD'000)	**Market Value**
Investment in subsidiary	5,759
Amount due from a subsidiary	56,968
Trade and other payables	(10)
Amount due to immediate holding company	(15)
Equity value of Real Power as at the Valuation Date	62,702
Shareholding of Real Power	80%
Market Value of 80% equity interest in Real Power	50,162

5. SPECIFIC ASSUMPTIONS

A number of specific assumptions have been made in the preparation of the reported figures. The major specific assumptions are set out below:

- Financial and operational information provided by the Target Group and confirmed by the Company are accurate and we have relied to a considerable extent on such information in arriving at our opinion of value;
- The Operating Company will at least break even in the near future and be able to realize its assets for not less than their book value;
- The Target Group will maintain going concern with sufficient financing from time to time;
- The PRC Subsidiary has no value implication to the Target Group; and
- There are no hidden or unexpected conditions associated with the assets and liabilities of the Target Group that might adversely affect the reported value.

6. GENERAL ASSUMPTIONS

A number of general assumptions have been made in the preparation of the reported figures. The assumptions are:

- There will be no major changes in existing political, legal, technological, tax, fiscal or economic conditions in the country or district where the business is in operation;

- The long-term inflation rate, interest rates and currency exchange rate will not differ materially from those presently prevailing;

- The Target Group will retain sufficient management and technical personnel to maintain their ongoing operations;

- There will be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions that will significantly affect the existing business;

- The Target Group's businesses are unaffected by any statutory notice and the operation of the business gives, or will give, no rise to a contravention of any statutory requirements. All applicable laws and regulations were and will be complied with;

- The business is not and will not be subject to any unusual or onerous restrictions or encumbrances which may render the Target Group defaulted against its outstanding commitment or obligations; and

- Any potential bad debt of the Target Group will not significantly affect value of the Target Group.

7. LIMITING CONDITIONS

We understand that the Company will perform additional separate due diligence before making any transaction decision related to Real Power. The Company will not solely rely on our opinion regarding any transaction related to Real Power. Our report will be used for the stated purposes only and cannot replace any managerial decision or judgment of the management of the Company. Our work does not constitute any buy or sell recommendation.

We have been provided with extracts of copies of relevant documents and financial information relating to the Company. We have relied upon the aforesaid information and certain data from various databases in forming our opinion of the Market Value. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. Our work has relied to a considerable extent on the information provided by the Company, Real Power and the Operating Company and does not constitute an audit and no assurance is given by us to the information supplied to us. Details of our principal information sources are set out in the report and we have satisfied ourselves, so far as possible, that the information presented in our report is consistent with other information which was made available to us in the course of our work. We have made relevant inquiries and obtained further information as we considered necessary for the purpose of this valuation, we however cannot guarantee the reliability or accuracy of the information sources. We have no responsibility to doubt the truthfulness and accuracy of the said information which is material to the valuation.

No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is beyond what is customarily expected on valuers' capacity or expertise. We are not in a position to, nor have been instructed to, comment on the lawfulness of the businesses and Target Group's possession of the assets. In the course of our valuation, we have assumed that the assets have obtained all required registration and are freely transferable in the market without any significant obstacles.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Furthermore, the assumptions adopted are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, Real Power, the Operating Company and us. While we have exercised our professional knowledge and cautions in adopting assumptions and other relevant key factors in our valuation, those factors and assumptions are still vulnerable to the change in one or more of these factors subsequent to the Valuation Date. We must emphasise that the realisation of any prospective financial information set out within our report is dependent on the continuing validity of the assumptions on which it is based. We accept no responsibility for the realisation of any prospective financial information. Actual results are likely to be different from those shown in the prospective financial information because events and circumstances frequently do not occur as expected, and the differences may be material.

The Company will appreciate that in providing the Company with our report, we shall have regard to market conditions as at the Valuation Date. Naturally, these are subject to change and it is therefore important that the Company takes account of any such change in conditions that may occur from the Valuation Date before making any binding decision in relation to Real Power.

We shall be under no obligation to update our report in respect of events or information which come to our attention subsequent to the date of this report. Notwithstanding this, we reserve the right, should we consider it necessary, to revise our valuation in light of any information which existed at the Valuation Date but which becomes known to us subsequent to the date of this report.

This report is submitted to the Company and the valuation expressed herein is valid only for the stated purpose as of the Valuation Date. In accordance with our standard practice, we must state that this valuation report shall be for the use only of the party to whom it is addressed for the stated purpose and no responsibility is accepted to any other party for the whole or any part of its contents.

Neither the whole, nor any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement without our written approval of the form and context in which it will appear.

We shall not testify or attend in court due to this exercise, with reference to the valuation described herein. Should there be any further services required, the corresponding expenses and provision of services will be reimbursed from the Company and such additional work may incur without prior notification.

8. MANAGEMENT CONFIRMATION OF FACTS

A draft of this report and our calculation has been sent to management of the Company. They have reviewed and orally confirmed to us that facts as stated in this report and calculation are accurate in all material respects and that they are not aware of any material matters relevant to our engagement which have been excluded.

9. CONFIRMATION OF INDEPENDENCE

We hereby confirm that we have neither present nor prospective interests in the Company, Real Power, the Operating Company and their respective holding companies, subsidiaries and associated companies, or the value reported herein.

10. OPINION OF VALUE

Based on our analysis and method employed, we are of the opinion that the Market Value of 80% equity interest in Real Power as at the Valuation Date is **HKD50,162,000 (HONG KONG DOLLAR FIFTY MILLION ONE HUNDRED AND SIXTY-TWO THOUSAND ONLY)**.

Our report is issued subject to our terms of engagement with the Company and the limiting conditions set out in section 7.

Yours faithfully,
For and on behalf of
Savills Valuation and Professional Services Limited
Wiley W.F. Pun
HKICPA CICPA (non-practising) PRM
Director

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 Group. 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. SHARE CAPITAL

As at the Latest Practicable Date

Authorised:		*HK$*
5,000,000,000	Shares of HK$0.01 each	50,000,000.00
Issued and fully paid:		
1,390,123,000	Shares of HK$0.01 each as at the Latest Practicable Date	13,901,230.00
200,000,000	Consideration Shares to be issued upon Completion	2,000,000.00
1,590,123,000	Total	15,901,230.00

All the Shares in issue and the Consideration Shares (when allotted and issued) rank *pari passu* with each other in all respects including as regards to dividends and voting rights. An application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

As at the Latest Practicable Date, save as the share options granted under the share option scheme of the Company entitling the holders to subscribe for a total of 93,436,500 Shares upon full exercise of such options, the Company had no outstanding warrants, options, derivatives or securities convertible into or exchangeable for Shares.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Consideration Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company and each of their respective associates, in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required (a) 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) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

(a) Directors and chief executive of the Company

Long positions in the underlying Shares

Name of Directors	Capacity	Number of underlying Shares held	Approximate percentage of interest
Mr. Li Zhouxin	Beneficial owner	1,480,000	0.11%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company and their associates had an interest or short position in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 he or she has taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code contained in the Listing Rules to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to any Directors or chief executives of the Company, the following persons/corporations (other than the Directors and the chief executive officer of the Company) had, or were deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% 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 members of the Group:

(i) Long positions in the Shares

Name	Capacity	Number of Shares held	Approximate percentage of interest
Golden Sparkle Limited *(Note 1)*	Beneficial owner	263,308,500	18.94%
Mr. Lai Wai Lam, Ricky *(Note 1)*	Interest in controlled corporation	263,308,500	18.94%
Mr. Da Zhibiao	Beneficial owner	140,382,500	10.10%
Elite Beauty International Trading (Hong Kong) Co., Limited *(Note 2)*	Beneficial owner	80,000,000	5.75%
Mr. Li Liang *(Note 2)*	Interest in controlled corporation	80,000,000	5.75%

Notes:

1. These Shares are held by Golden Sparkle Limited, a controlled corporation of Mr. Lai Wai Lam, Ricky and are therefore deemed to be interested by Mr. Lai Wai Lam, Ricky under the SFO.

2. These Shares are held by Elite Beauty International Trading (Hong Kong) Co., Limited, a controlled corporation of Mr. Li Liang and are therefore deemed to be interested by Mr. Li Liang under the SFO.

(ii) Long positions in the underlying Shares

Name	Capacity	Number of Shares held	Approximate percentage of interest
Mr. Li Liang	Beneficial owner	30,000	0.002%

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any person had or were deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 5% 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 members of the Group.

4. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

Interests in assets

Save for the subject assets under the Acquisition, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which, since 31 December 2018 (the date to which the latest published audited financial statements of the Group were made up), had been or were proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group.

Interest in contracts

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Enlarged Group.

5. DIRECTORS' INTERESTS IN COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Enlarged Group.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service agreement with any members of the Group, excluding contracts expiring or determinable by the Group within one year without payment of any compensation, other than statutory compensation.

7. LITIGATION

As at the Latest Practicable Date, the Group was not engaged in any other litigation or claims of material importance known to the Directors to be pending or threatened against the Group.

8. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have given opinions, letters or advices included in this circular:

Name	Qualifications
CCTH CPA Limited	Certified Public Accountants
D & Partners CPA Limited	Certified Public Accountants
Savills Valuation and Professional Services Limited	Independent professional valuer

Each of the above experts had given and had not withdrawn its written consent to the issue of this circular with copies of its letter and/or reports and the references to its name included in this circular in the forms and contexts in which they are respectively included. Each of the above experts confirmed that as at the Latest Practicable Date:

(i) it did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and

(ii) it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018, being the date to which the latest published audited accounts of the Company were made up.

9. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

(i) a subscription agreement dated 31 March 2017 entered into by the Company to subscribe of the promissory note issued by GREATERCHINA PROFESSIONAL SERVICES LIMITED in a principal amount of HK$67.35 million for a term of two years;

(ii) an acquisition agreement dated 27 April 2017 entered into by the Company (as the purchaser) and Mr. Lam Chi Man (as the vendor) to purchase the entire issued share capital of Apex Magic International Limited, a company incorporated in the BVI with limited liability for a total consideration of HK$79,000,000;

(iii) a share transfer agreement dated 5 May 2017 entered into by 青蛙王子（中國）日化有限公司 (Frog Prince (China) Daily Chemicals Co., Ltd*), an indirect wholly-owned subsidiary of the Company (as the vendor) and 深圳前海沃升資產管理中心(有限合夥) (Shenzhen Qianhai Wosheng Asset Management Centre (Limited Partnership)*) (as the purchaser) to transfer 45% of the equity interest in 福建和潤供應鏈管理有限公司 (Fujian Herun Supply Chain Management Co. Ltd.*) (the "**2017 Disposal**"), an indirect non-wholly owned subsidiary of the Company, for a total consideration of RMB100,000,000;

(iv) a sale and purchase agreement dated 21 September 2017 entered into by Cheer Winner Investment Limited, a wholly-owned subsidiary of the Company, to purchase from a third party independent of the Company and its connected persons the entire interest of Earn Rich Properties Limited at a total consideration of HK$13,500,000;

(v) a joint venture agreement (the "**JV Agreement**") dated 24 November 2017 entered into by Elegant Empire Investment Limited, a direct wholly-owned subsidiary of the Company, with Avis Glory Limited in relation to the formation of a joint venture company to engage in the manufacturing and sale of dessert and juice beverages in the PRC. As the parties to the JV Agreement failed to fulfil the obligation, among others, to establish a bank account for the JV Company since the signing of the JV Agreement by the parties, as far as the Company is concerned, no parties to the JV Agreement shall have any liability under the JV Agreement (without prejudice to the rights of either party in respect of antecedent breach of any provisions of the JV Agreement);

(vi) a placing agreement (the "**Placing Agreement**") dated 12 June 2018 entered between the Company and Get Nice Securities Limited as the placing agent to place a maximum of 231,687,000 Shares at the placing price of HK$0.130;

(vii) a supplemental agreement dated 15 June 2018 to the Placing Agreement to revise the long stop date of the Placing Agreement;

(viii) a disposal agreement dated 30 June 2018 entered into by 青蛙王子(中國)日化有限公司 (Frog Prince (China) Daily Chemicals Co., Ltd*), an indirect wholly-owned subsidiary of the Company as the vendor and 絲耐潔(福建)口腔健康科技有限公司 (Snagatr (Fujian) Oral Health Technology Co., Limited*) as the purchaser to purchase 80% of the equity interest in 福建愛潔麗有限公司 (Fujian Azalli Daily Chemicals Limited*) for a total consideration of RMB12,000,000; and

(ix) the Sale and Purchase Agreement.

10. GENERAL

(i) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

(ii) The company secretary of the Company is Mr. Leung Louis Ho Ming, a member of Hong Kong Institute of Certified Public Accountant.

(iii) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the head office and principal place of business of the Company in Hong Kong is located at Room 2005-2006, Kinwick Centre, 32 Hollywood Road, Central, Hong Kong.

(iv) The Company's Hong Kong branch share registrar is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's head office and principal place of business at Room 2005-2006, Kinwick Centre, 32 Hollywood Road, Central, Hong Kong from the date of this circular up to and including the date of the EGM:

(i) the memorandum and articles of association of the Company;

(ii) the Sale and Purchase Agreement;

(iii) the letter from the Board, the text of which is set out on pages 5 to 29 of this circular;

(iv) the annual result of the Company for the year ended 31 December 2018 and each of the annual reports of the Company for the years ended 31 December 2017 and 31 December 2016;

(v) the accountant's report of the Target Group, the text of which is set out in Appendix IIA to this circular;

(vi) the accountant's report of the Advance Global Group, the text of which is set out in Appendix IIB to this circular;

(vii) the report from CCTH CPA Limited on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(viii) the valuation report on the Target Group as set out in Appendix V to this circular;

(ix) the written consents referred to in the paragraph headed "8. EXPERTS AND CONSENTS" in this Appendix;

(x) the material contracts referred to in the paragraph headed "9. MATERIAL CONTRACTS" in this Appendix;

(xi) the circular of the Company dated 15 June 2017 in respect of the major and connected transaction in relation to the entering into of the share transfer agreement in respect of the 2017 Disposal; and

(xii) this circular.

China Child Care Corporation Limited
中國兒童護理有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1259)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of China Child Care Corporation Limited 中國兒童護理有限公司 (the "**Company**") will be held at Room Golden Bay, 2/F, Golden Bay Resort, 168 South Huandeng Road (Huandeng Nan Lu), Dadeng Islands, Xiamen, Fujian Province, The People's Republic of China on Friday, 17 May 2019 at 9:00 a.m. for the purpose of considering, and if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**:

(a) the Sale and Purchase Agreement (as defined in the circular dated 30 April despatched to the shareholders of the Company), a copy of which has been produced to this meeting marked "A" and initialed by the chairman of this meeting for the purpose of identification and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) conditional upon the fulfillment of the conditions precedent in the Sale and Purchase Agreement and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of and permission to deal in the Consideration Shares, the Directors (or any duly authorised committee thereof) be and are hereby granted the Specific Mandate to the allotment and issuance of the Consideration Shares to the Vendor or its nominee pursuant to the Sale and Purchase Agreement, provided that the Specific Mandate shall be in addition to and shall not prejudice nor revoke such other general or specific manadate(s) which may from time to time be granted to the Directors prior to or after the passing of this resolution; and

(c) any one Director be and is hereby authorised to do all such further acts and things and to sign and execute all such documents and to take all such steps which is of an administrative nature and ancillary to implementation of the Sale and Purchase Agreement and the transactions contemplated thereunder."

By order of the Board
China Child Care Corporation Limited
Tsai Wallen
Chairman and Executive Director

30 April 2019

Notes:

a. Any member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote on his/her/its behalf. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

b. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the Company's Branch Share Registrar and Transfer Office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting (i.e. not later than 9:00 a.m. on 15 May 2019) or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the form of proxy shall be deemed to be revoked.

c. To ascertain shareholders' eligibility to attend and vote at this meeting, the register of members of the Company will be closed from 14 May 2019 to 17 May 2019 (both days inclusive), during which period no share transfer will be effected. In order to qualify for attending and voting at the extraordinary general meeting, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar and Transfer Office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than 4:00 p.m., on 15 May 2019.

d. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the Board comprises (i) two executive Directors, namely Mr. Tsai Wallen and Mr. Chau Ling; (ii) one non-executive Director, namely Mr. Li Zhouxin; and (iii) three independent non-executive Directors, namely Ms. Chan Sze Man, Mr. Ma Kwun Yung Stephen and Ms. Bu Yanan.