KANTONE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1059)

INSIDE INFORMATION EXPECTED IMPAIRMENT ON INVENTORIES IN RELATION TO CULTURAL PRODUCTS

This announcement is made by Kantone Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

Reference is made to the announcements of the Company dated 5 February 2018 and 14 February 2018 in relation to, among others, the expected impairment of inventories resulting from downgrading and reclassifications of cultural products of the Group (the "**Cultural Products**").

As mentioned in the announcement of the Company dated 5 February 2018, the Group has engaged a team of professionals from China Cultural Heritage Information and Consulting Center (the "**China Cultural Center**") to perform a detailed authentication on all of the Cultural Products.

As at the date of this announcement, the authentication exercise has almost been completed and the China Cultural Center is in the course of finalizing the authentication report. Based on the latest information available to the board of directors (the "**Board**") of the Company according to the communication with the China Cultural Center, substantial downgrading of a substantial portion of the Cultural Products are required. After consulting with the independent professional valuer, who will issue a valuation report based on the authentication report to be issued by the China Cultural Center, the Board preliminary estimates that an impairment of approximately HK$1.6 billion will be made on the inventories of the Group in the interim results of the Company for the six months ended 31 December 2017.

The information contained in this announcement is only based on preliminary assessment by the Company based on the latest information available and is not based on any figure or information audited or reviewed by the Company's independent auditors, and may be subject to amendments. Shareholders and potential investors are advised to refer to details in the interim results announcement of the Company for the six months ended 31 December 2017 which is expected to be published by the end of February 2018.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
KANTONE HOLDINGS LIMITED
Chan Wai
Company Secretary

Hong Kong, 26 February 2018

As at the date of this announcement, the executive directors of the Company are Ms. Wong Man Winny and Mr. Liu Ka Lim; the non-executive directors of the Company are Ms. To Yin Fong Cecilica; and the independent non-executive directors of the Company are Mr. Leung Man Fai, Ms. Chung Sau Wai Ada and Mr. Clayton Ip.