PROSTEN HEALTH HOLDINGS LIMITED
長達健康控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8026)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Prosten Health Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.

HIGHLIGHTS

- Revenue of the Group for the year ended 31 March 2017 amounted to approximately HK$30,255,000, representing an increase of approximately HK$20,205,000 as compared to last year.

- The Group's gross profit for the year ended 31 March 2017 was approximately HK$6,565,000, increased by approximately HK$1,156,000 as compared to last year.

- Loss attributable to equity holders of the Company for the year ended 31 March 2017 amounted to approximately HK$23,657,000, which represented a decrease in loss of approximately HK$7,702,000 as compared to last year.

- The Board does not recommend the payment of any dividend for the year ended 31 March 2017.

RESULTS

The board of Directors (the "Board") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2017 together with the comparative audited figures for the year ended 31 March 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	*7*	**30,255**	10,050
Cost of sales		**(23,690)**	(4,641)
Gross profit		**6,565**	5,409
Other income and gains	*7*	**307**	604
Selling expenses		**(3,578)**	(3,635)
Administrative expenses		**(26,710)**	(23,068)
Other expenses		**(39)**	(60)
Change in fair value of biological assets		**646**	—
Realised loss on financial assets at fair value through profit or loss		**(30)**	—
Unrealised loss on financial assets at fair value through profit or loss		**(84)**	—
Share of loss of an associate		**(195)**	—
Finance costs	*8*	**(539)**	(46)
Net loss on de-consolidation of subsidiaries	*14*	**—**	(10,555)
Loss before tax	*9*	**(23,657)**	(31,351)
Taxation	*10*	**(35)**	(8)
Loss for the year		**(23,692)**	(31,359)

	Note	2017 HK$'000	2016 HK$'000
Other comprehensive (loss)/income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(2,844)**	66
Reclassification adjustment relating to foreign operations de-consolidation during the year		—	(87)
Net (loss)/gain on revaluation of available-for-sale financial assets		**(5,177)**	6,760
Other comprehensive (loss)/income for the year, net of tax		**(8,021)**	6,739
Total comprehensive loss for the year		**(31,713)**	(24,620)
Loss for the year attributable to:			
— Owners of the Company		**(23,657)**	(31,359)
— Non-controlling interest		**(35)**	—
		(23,692)	(31,359)
Total comprehensive loss for the year attributable to:			
— Owners of the Company		**(31,678)**	(24,620)
— Non-controlling interest		**(35)**	—
		(31,713)	(24,620)
Loss per share attributable to ordinary equity holders of the Company	*11*		
Basic		**(HK$2.09) cents**	(HK$3.52) cents
Diluted		**(HK$2.09) cents**	(HK$3.52) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**5,799**	2,067
Investment property		**4,391**	—
Long-term prepaid rentals		**1,093**	—
Available-for-sale financial assets		**16,583**	22,179
Goodwill		**5,092**	3,908
Interest in an associate		**2,068**	—
Prepayments, deposits and other receivables		**—**	46
Total non-current assets		**35,026**	28,200
CURRENT ASSETS			
Inventories		**14,946**	15,266
Biological assets		**699**	—
Current portion of long-term prepaid rentals		**95**	—
Trade receivables	*12*	**37,186**	26,862
Prepayments, deposits and other receivables		**6,252**	4,130
Tax recoverable		**157**	—
Financial assets at fair value through profit or loss		**600**	—
Due from related companies		**34**	—
Cash and cash equivalents		**8,738**	28,761
Total current assets		**68,707**	75,019
CURRENT LIABILITIES			
Trade payables	*13*	**3,859**	2,703
Other payables and accruals		**5,882**	8,336
Due to a then non-executive director		**668**	5,425
Due to an ultimate holding company		**142**	142
Due to de-consolidated subsidiaries		**18,322**	15,300
Tax payable		**—**	178
Total current liabilities		**28,873**	32,084

	2017	2016
	HK$'000	*HK$'000*
NET CURRENT ASSETS	**39,834**	42,935
TOTAL ASSETS LESS CURRENT LIABILITIES	**74,860**	71,135
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**169**	181
Convertible note	**—**	—
Total non-current liabilities	**169**	181
NET ASSETS	**74,691**	70,954
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**120,826**	109,536
Reserves	**(46,100)**	(38,582)
Equity attributable to owners of the Company	**74,726**	70,954
Non-controlling interest	**(35)**	—
TOTAL EQUITY	**74,691**	70,954

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017

	Attributable to equity holders of the Company										
	Share capital	Share premium account	Statutory reserve fund	Available-for-sale financial assets equity reserve	Foreign currency translation reserve	Share option reserve	Convertible note equity reserve	Accumulated losses	Reserves sub-total	Non-controlling interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(note a)	*(note b)*	*(note c)*		*(note d)*				
As at 1 April 2016	**109,536**	**455,438**	**3,349**	**6,760**	**14,766**	**316**	**—**	**(519,211)**	**(38,582)**	**—**	**70,954**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(23,657)**	**(23,657)**	**(35)**	**(23,692)**
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**(2,844)**	**—**	**—**	**—**	**(2,844)**	**—**	**(2,844)**
Net loss on revaluation of available-for-sale financial assets	**—**	**—**	**—**	**(5,177)**	**—**	**—**	**—**	**—**	**(5,177)**	**—**	**(5,177)**
Total comprehensive loss for the year	**—**	**—**	**—**	**(5,177)**	**(2,844)**	**—**	**—**	**(23,657)**	**(31,678)**	**(35)**	**(31,713)**
Equity component of a convertible note	**—**	**—**	**—**	**—**	**—**	**—**	**4,560**	**—**	**4,560**	**—**	**4,560**
Deferred tax arising on issue of a convertible note	**—**	**—**	**—**	**—**	**—**	**—**	**(752)**	**—**	**(752)**	**—**	**(752)**
Issues of shares on a conversion of a convertible note	**11,290**	**24,160**	**—**	**—**	**—**	**—**	**(3,808)**	**—**	**20,352**	**—**	**31,642**
As at 31 March 2017	**120,826**	**479,598**	**3,349**	**1,583**	**11,922**	**316**	**—**	**(542,868)**	**(46,100)**	**(35)**	**74,691**
As at 1 April 2015	79,610	378,628	3,349	—	14,787	611	—	(487,852)	(90,477)	—	(10,867)
Loss for the year	—	—	—	—	—	—	—	(31,359)	(31,359)	—	(31,359)
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of foreign operations	—	—	—	—	66	—	—	—	66	—	66
Re-classification of foreign currency translation reserve relating to foreign operations de-consolidated during the year	—	—	—	—	(87)	—	—	—	(87)	—	(87)
Net gain on revaluation of available-for-sale financial assets	—	—	—	6,760	—	—	—	—	6,760	—	6,760
Total comprehensive income/(loss) for the year	—	—	—	6,760	(21)	—	—	(31,359)	(24,620)	—	(24,620)
Equity-settled share option arrangements	—	—	—	—	—	106	—	—	106	—	106
Exercise of share options	314	704	—	—	—	(401)	—	—	303	—	617
Placements of new shares	29,612	77,466	—	—	—	—	—	—	77,466	—	107,078
Expenses on issue of new shares	—	(1,360)	—	—	—	—	—	—	(1,360)	—	(1,360)
As at 31 March 2016	109,536	455,438	3,349	6,760	14,766	316	—	(519,211)	(38,582)	—	70,954

Notes to consolidated statement of changes in equity:

(a) Statutory reserve fund

Pursuant to the relevant laws and regulations for business enterprises in the People's Republic of China (the "PRC"), a portion of the profits of the entities which are registered in the PRC has been transferred to the statutory reserve fund which is restricted as to use. When the balance of such reserve fund reaches 50% of the capital of that entity, any further appropriation is optional. The statutory reserve fund can be utilised, upon approval of the relevant authority, to offset prior years' losses or to increase capital. However, the balance of the statutory reserve fund must be maintained at least 25% of capital after such usage.

(b) Available-for-sale financial assets equity reserve

Available-for-sale financial assets equity reserve relates to the cumulative gains or losses arising on the change in fair value of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those financial assets are disposed or impaired.

(c) Foreign currency translation reserve

Foreign currency translation reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollar) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Such exchange differences accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or de-consolidation of the foreign operations.

(d) Convertible note equity reserve

The amount represented the equity component of a convertible note issued during the year ended 31 March 2017.

Notes:

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The address of its principal place of business is Unit 905, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the GEM.

On 1 April 2015, Dynamic Peak Limited (the "Offeror"/"Dynamic"), and Century Technology Holding (PTC) Limited, Bakersfield Global (PTC) Corporation and Greenford Company (PTC) Limited (the "Vendors") entered into a sale and purchase agreement ("S&P Agreement"). Pursuant to which, the Offeror conditionally agreed to purchase and the Vendors conditionally agreed to sell the aggregate of 294,276,619 shares in the Company (the "Sale Shares"), for a total consideration of HK$79,454,687.13 (representing HK$0.27 per Sale Share). The completion of the S&P Agreement took place on 29 April 2015. For details, please refer to the Company's announcement dated 29 April 2015.

As a result of the completion of S&P Agreement, Dynamic became the immediate and ultimate holding company of the Company. As at 31 March 2017, Dynamic held approximately 24.36% interest in the Company and continued to be the single largest shareholder of the Company.

During the year, pursuant to the Certificate of Incorporation on Change of Name which was issued by the Registry of Companies in the Cayman Island on 30 September 2016, and the Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company which was issued by the Registrar of Companies in Hong Kong on 14 October 2016, the English name of the Company was changed from "Prosten Technology Holdings Limited" to "Prosten Health Holdings Limited", and the dual foreign name in Chinese "長達健康控股有限公司" was adopted to replace the Chinese name "長達科技控股有限公司" which has adopted for identification purpose.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance.

3. BASIS OF PREPARATION

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The measurement basis used in the preparation of the consolidated financial statements is the historical cost convention, except for completed properties at fair value of investment property, available-for-sale financial assets, biological assets and financial asset at fair value through profit or loss and financial assets at which have been measured at fair value.

These consolidated financial statements are presented in Hong Kong dollar which is also the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated. The Group's major subsidiaries are operated in the PRC with Renminbi ("RMB") as their functional currency.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the 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 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

De-consolidation

Despite the Board have repeated verbal and written requests (including legal letter), the Board had been unable to access the complete set of books and records together with the supporting documents of certain subsidiaries incorporated in Shanghai (the "De-Consolidated Subsidiaries") since 1 January 2016 for the purpose of, among others, preparing the Group's consolidated financial statements for the year ended 31 March 2016.

As a result, due to the Board considered that the Company was unable to govern the De-Consolidated Subsidiaries, and the control over these subsidiaries was lost, the Group had de-consolidated the financial results, assets and liabilities of the De-Consolidated Subsidiaries from the consolidated financial statements of the Group since 1 January 2016 ("De-consolidation"). The De-consolidation has resulted in a net loss on De-consolidation of subsidiaries of approximately HK$10,555,000.

During the year ended 31 March 2017, the Directors has been taking all reasonable steps and has been using its best endeavours to protect interest of the Group and try to resolve the above matters.

On 2 June 2017 (after trading hours), the Company entered into a disposal agreement for the disposal of the entire issued share capital of Prosten (BVI) Limited (together with relevant shareholders loan) which indirectly held the entire issued share capital of the De-Consolidated Subsidiaries (the "Disposal"). The Disposal was completed on 5 June 2017.

The following tables set out the financial information of the De-Consolidated Subsidiaries.

Financial result

The followings are the unaudited financial results of the De-Consolidated Subsidiaries for the nine months ended 31 December 2015. These financial results that have included the Group's unaudited consolidated financial results for the nine months ended 31 December 2015, have been included in the third quarterly report of the Company and the annual report of the Company for the year ended 31 March 2016.

For the nine months ended 31 December 2015

	Unaudited *HK$'000*
Revenue	5,061
Loss for the period attributable to equity holders of the Company	(4,203)

Assets and liabilities

The followings are the unaudited assets and liabilities of the De-Consolidated Subsidiaries immediate before the De-consolidation on 1 January 2016, and the effect of impairment of investment costs and amounts due from the De-Consolidated Subsidiaries are set out below.

Immediate before De-consolidation on 1 January 2016

	Unaudited *HK$'000*
Assets and liabilities de-consolidated:	
Non-current assets	6,389
Current assets	18,446
Current liabilities	(66,435)
Non-current liabilities	(302)
Net liabilities de-consolidated	(41,902)
Effect of written off of investments in De-Consolidated Subsidiaries and amounts due from De-Consolidated Subsidiaries	52,544
Foreign currency translation reserve	(87)
Net loss on De-consolidation	10,555

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at the end of reporting period. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied the following revised HKFRSs issued by the HKICPA, which are relevant to the Group and effective for the first time for the Group's current year's consolidated financial statements.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements
HKFRS 14	Regulation Deferral Accounts

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

5. HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not applied or early adopted the following new or revised HKFRSs (including their consequential amendments) that have been issued but not yet effective in these consolidated financial statements. The name and principal nature of the pronouncements which may be relevant to the Group are set out below.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle[5]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HK(IFRIC) — Int 22	Foreign Currency Translations and Advance Consideration[2]
HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKAS 40 (Amendments)	Transfers of Investment Property[2]

1 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

4 Effective for annual periods beginning on or after a date to be determined.

5 Effective for annual periods beginning on or after 1 January 2017 or 2018, as appropriate.

The Group is currently assessing the impact of the rest of the new or revised HKFRSs upon their initial application but is not yet in a position to state whether they would have any significant impact in its results of operation and financial position. It is anticipate that all of the pronouncements will be adopted in the Group's accounting policy in the accounting period when they first become effective.

6. OPERATING SEGMENT INFORMATION

The Group's operating activities are currently attributable to four operating segments focusing on the wireless value-added services, trading and retailing of jewelry, lending business and pharmaceutical and healthcare products (continuing operation). These operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conformed to HKFRSs, that are regularly reviewed by the executive Directors (the "Executive Directors") (being the chief operating decision makers of the Company). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. The details of operating and reportable segments of the Group are as follows:

- Wireless valued-added services
- Trading and retailing of jewelry
- Lending business
- Pharmaceutical and healthcare products

The operation of pharmaceutical and healthcare products was introduced to the Group during the year ended 31 March 2017. The following is an analysis of the Group's revenue and results by operating segments:

For the year ended 31 March 2017	**Wireless value-added services** *HK$'000*	**Trading and retailing of jewelry** *HK$'000*	**Lending business** *HK$'000*	**Pharmaceutical and healthcare products** *HK$'000*	**Consolidation** *HK$'000*
REVENUE					
External sales	**—**	**21,215**	**4,144**	**4,896**	**30,255**
RESULTS					
Segment results	**(9)**	**(723)**	**4,144**	**(425)**	**2,987**
Unallocated income					**307**
Unallocated expenses					**(26,217)**
Finance costs					**(539)**
Share of loss of an associate					**(195)**
Loss before tax					**(23,657)**

For the year ended 31 March 2016	Wireless value-added services *HK$'000*	Trading and retailing of jewelry *HK$'000*	Lending business *HK$'000*	Pharmaceutical and healthcare products *HK$'000*	Consolidation *HK$'000*
REVENUE					
External sales	5,061	4,911	78	—	10,050
RESULTS					
Segment results	2,089	(393)	78	—	1,774
Unallocated income					604
Unallocated expenses					(23,128)
Finance costs					(46)
Net loss on de-consolidation of subsidiaries					(10,555)
Loss before tax					(31,351)

Segment profit/loss represents the profit/loss earned/suffered from each segment without allocation of central administration costs, certain other income, gains and losses and other expenses, finance costs, share of loss of an associate and net loss on De-consolidation of subsidiaries. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's assets and liabilities by operating segment:

	2017 ***HK$'000***	2016 *HK$'000*
SEGMENT ASSETS		
Wireless valued-added services	**1,214**	2,061
Trading and retailing of jewelry	**17,324**	32,041
Lending business	**40,179**	29,098
Pharmaceutical and healthcare products	**36,705**	—
Unallocated assets	**8,311**	40,019
	103,733	103,219
SEGMENT LIABILITIES		
Wireless valued-added services	**23,558**	30,316
Trading and retailing of jewelry	**884**	881
Lending business	**72**	249
Pharmaceutical and healthcare products	**2,095**	—
Unallocated liabilities	**2,433**	819
	29,042	32,265

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain prepayments and bank balances and cash held by the respective head offices from continuing was allocated to the above components segment; and

- all liabilities are allocated to operating segments other than certain other payables and accruals of the respective head offices of continuing, was allocated to the above components segment.

Geographical information

The Group's operations are mainly located in the PRC and Hong Kong, and it also derives revenue from PRC and Hong Kong.

Information about the Group's revenue from external customers is presented based on geographical location of the customers and information about the Group's non-current assets other than financial assets is presented based on geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**24,711**	7,201	**9,887**	1,973
Hong Kong	**5,544**	2,849	**8,556**	4,048
Total	**30,255**	10,050	**18,443**	6,021

Note: Non-current assets excluded available-for sale financial assets

Information about major customers

During the year ended 31 March 2017, revenue of approximately HK$12,961,000 which represented approximately 42.84% of the Group's total sales was derived from services rendered to two customers. During the year ended 31 March 2016, approximately HK$7,281,000 which represented approximately 72.45% of the Group's total sales were derived from services rendered to two customers. No other single customer contributed 10% or more to the Group's revenue for each of the years ended 31 March 2017 and 2016.

	2017	2016
	HK$'000	*HK$'000*
Customer A	**8,422**	—
Customer B	**4,539**	—
Customer C	—	5,061
Customer D	—	2,220
Others	**17,294**	2,769
	30,255	10,050

Other segment information

For the year ended 31 March 2017

	Wireless valued-added services	**Trading and retailing of jewelry**	**Lending business**	**Pharmaceutical and healthcare products**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Depreciation of property, plant and equipment	**62**	**521**	—	**1,745**	**2,328**
Amortisation of prepaid rentals	—	—	—	**54**	**54**
Written off of property, plant and equipment	**44**	—	—	—	**44**
Written off of an available-for-sale financial assets	**419**	—	—	—	**419**
Income tax expense	—	—	**124**	—	**124**
Capital Expenditure: Property, plant and equipment	**23**	**4**	—	**448**	**475**

For the year ended 31 March 2016

	Wireless valued-added services *HK$'000*	Trading and retailing of jewelry *HK$'000*	Lending business *HK$'000*	Pharmaceutical and healthcare products *HK$'000*	Consolidated *HK$'000*
Depreciation of property, plant and equipment	756	358	—	—	1,114
Net loss on De-consolidation of subsidiaries	10,555	—	—	—	10,555
Impairment losses on trade receivables	827	—	—	—	827
Income tax expense	—	8	—	—	8
Capital Expenditure: Property, plant and equipment	184	211	—	—	395

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of good sold, services rendered and interest income during the years.

An analysis of the Group's revenue, other income and gains is as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Revenue		
Net invoiced value of goods sold, services rendered and interest income	**30,255**	10,050
Other income and gains		
Sundry income	**265**	—
Gain on disposal of items of property, plant and equipment	**12**	—
Exchange gains, net	**19**	—
Bank interest income	**5**	64
Investment income	**6**	152
Fair value gain on an investment property	**—**	388
	307	604
	30,562	10,654

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2017	2016
	HK$'000	*HK$'000*
Interest on borrowing wholly repayable within five years and total borrowing cost	**—**	46
Imputed interest on a convertible note	**539**	—
	539	46

9. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2017	2016
	HK$'000	*HK$'000*
Cost of services*	**—**	1,037
Cost of sales	**23,690**	3,604
Amortisation on prepaid rentals	**54**	—
Depreciation*	**2,328**	1,114
Written off of items of property, plant and equipment	**44**	—
Minimum lease payments under operating leases in respect of:		
Land and buildings	**4,196**	2,137
Auditors' remuneration		
— audit services	**660**	600
— non-audit services	**488**	—
Employee benefits expense (including Directors' remuneration)*#:		
Wages, salaries, allowances and benefits in kind	**9,363**	14,357
Equity-settled share option arrangements	**—**	106
Pension scheme contributions (defined contribution schemes)	**296**	241
Severance payments	**—**	423
	9,659	15,127

	2017	2016
	HK$'000	*HK$'000*
Foreign exchange (gains)/losses, net	**(19)**	42
Realised loss on financial assets at fair value through profit or loss	**30**	—
Unrealised loss on financial assets at fair value through profit or loss	**84**	—
Impairment allowances on trade receivables	**—**	827
Written off of an available-for-sale financial asset	**419**	—
Net loss on De-consolidation of subsidiaries *(note 14)*	**—**	10,555
Gain on disposal of items of property, plant and equipment *(note 7)*	**(12)**	—
Share of loss of an associate	**195**	—
Research and development costs#	**—**	310
Bank interest income *(note 7)*	**(5)**	(64)
Investment income *(note 7)*	**(6)**	(152)
Fair value gain on an investment property *(note 7)*	**—**	(388)

* The cost of services provided includes depreciation and employee benefits expense totaling was nil for the year ended 31 March 2017 (2016: HK$822,000), which is also included in the respective total amount separately disclosed above.

No research and development costs for the year was incurred (2016: HK$310,000) relating to employee benefits expense for research and development activities, which is also included in the employee benefits expense separately disclosed above.

As at 31 March 2017, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years (2016: nil).

10. TAXATION

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for each of the years ended 31 March 2017 and 2016. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	2017	2016
	HK$'000	*HK$'000*
Current — Hong Kong:		
Charge for the year	**126**	8
Over-provision in prior year	**(2)**	—
	124	8
Deferred tax income	**(89)**	—
Total tax charged for the year	**35**	8

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of approximately HK$23,657,000 (2016: HK$31,359,000), and the weighted average numbers of ordinary shares of 1,133,098,026 (2016: 890,864,168) in issue during the year.

As there were no dilutive potential equity shares in existence as at 31 March 2017 and 2016, hence, the basic and diluted loss per share were the same for both years.

12. TRADE RECEIVABLES

An aged analysis of the Group's trade receivables, net of impairment allowances, based on the invoice date on which the goods were sold and money lended, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**7,768**	26,862
4 to 6 months	**15,729**	—
Over 1 year	**13,689**	—
Trade receivables, net	**37,186**	26,862

The Group's trade receivables, which generally have credit terms of one month to three months (2016: one month to three months) pursuant to the relevant contracts, are recognised based on the goods sold, and money lended and carried at the original invoice amount, and an estimate of impairment of trade receivables is made and deducted when collection of the full amount is no longer probable.

13. TRADE PAYABLES

An aged analysis of the Group's trade payables, based on the month in which the services were rendered, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**1,309**	—
4 to 6 months	**17**	—
Over 1 year	**2,533**	2,703
	3,859	2,703

14. DE-CONSOLIDATION OF SUBSIDIARIES

As mentioned in note 3, the De-Consolidated Subsidiaries have been de-consolidated from the consolidated financial statements of the Group as since 1 January 2016 during the previous financial year ended 31 March 2016.

Details of the aggregate net liabilities of the above-mentioned subsidiaries are set out below:

	Immediate before De-consolidation on 1 January 2016 (Unaudited) *HK$'000*
Net liabilities acquired:	
Property, plant and equipment	1,158
Investment property	4,832
Available-for-sale financial assets	399
Amounts due from the Group	12,580
Goodwill	—
Trade receivables	2,270
Prepayments, deposits and other receivables	1,790
Due from a then Director	33
Cash and cash equivalents	1,773
Trade payables	(6,672)
Amounts due to the Group	(49,967)
Other payables and accruals	(6,076)
Tax payables	(3,218)
Interest-bearing borrowing, secured	(502)
Deferred tax liabilities	(302)
	(41,902)
Net Liabilities	
Effect of written off of investment in De-Consolidated Subsidiaries and amounts due from De-Consolidated Subsidiaries	52,544
Foreign currency translation reserves	(87)
Net loss on De-consolidation of subsidiaries	10,555
Analysis of net outflow of cash and cash equivalents arising from De-consolidation of subsidiaries	1,773

On 24 June 2016, the Board resolved that the Group no longer had the power to govern the De-Consolidated Subsidiaries, and the control over the De-Consolidated Subsidiaries was lost. Details were set up in Group's announcement dated 24 June 2016.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 March 2017 (2016: nil).

AUDIT OPINION

Extract of Independent Auditors' Report

Disclaimer of opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for disclaimer of opinion

As described in Note 3 to the consolidated financial statements, the Group had been unable to access the complete set of books and records together with the supporting documents of certain subsidiaries incorporated in Shanghai (the "De-Consolidated Subsidiaries") for the period from 1 January 2016 to 31 March 2016 for the purpose of, among others, preparing the Group's consolidated financial statements for the year ended 31 March 2016.

As a result, the directors of the Company were of the opinion that the Company was unable to govern the De-Consolidated Subsidiaries, and the control over these subsidiaries was lost, the Group had deconsolidated the financial results, assets and liabilities of the De- Consolidated Subsidiaries from the consolidated financial statements of the Group since 1 January 2016 ("De-consolidation").

We have not been provided with sufficient information and explanations on the De-consolidated Subsidiaries and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the De-Consolidation was appropriate to deconsolidate the assets and liabilities and cease to record results of operations of the De-Consolidated Subsidiaries from the consolidated financial statements from 1 January 2016 for the financial year ended 31 March 2016 and for the financial year ended 31 March 2017.

As the Company was unable to provide complete books and records of the De-Consolidated Subsidiaries, we were unable to obtain sufficient appropriate audit evidence and explanations to determine as to (i) whether the amount due to the De-Consolidated Subsidiaries as at 31 March 2016 and 2017 was properly recorded and accounted for and in compliance with the requirements of applicable HKFRSs (ii) whether the net loss on the De-Consolidation and the result of the De-Consolidated Subsidiaries for a period from 1 April 2015 to 31 December 2015, which were charged to the Group's loss for the year ended 31 March 2016 were free from material misstatement, and (iii) whether the contingent liabilities and commitments, the events after the reporting period and the related party transactions of the De-Consolidated Subsidiaries, were properly recorded, accounted for, disclosed and in compliance with the requirements of applicable HKFRSs in the consolidated financial statements for the year ended 31 March 2016 as this could have an impact on the comparative figures reflected in the Group's consolidated statement of profit or loss and other comprehensive income.

There were no alternative audit procedures that we could perform (i) to satisfy ourselves as to whether, the amount due to the De-Consolidated Subsidiaries, the contingent liabilities and commitments of the De-Consolidated Subsidiaries as at 31 March 2016 and 2017 and the net loss on de-consolidation and the result of the De-Consolidated Subsidiaries for a period from 1 April 2015 to 31 December 2015 which were charged to the Group's loss for the year ended 31 March 2016, were free from material misstatements, (ii) over the significant transactions after the reporting period of the De-Consolidated Subsidiaries which occurred during the period from 1 April 2016 to the date of this auditors' report and over the related party transactions of the De-Consolidated Subsidiaries which occurred during the year ended 31 March 2016 and 2017.

As a result of being the same unresolved issues which are set out above, we were unable to obtain sufficient appropriate audit evidence regarding the opening balances and corresponding figures and there were no alternative audit procedures to satisfy ourselves as to whether the opening balances and corresponding figures were free from material misstatement. Any adjustments that might have been found necessary may have an effect on the Group's assets and liabilities as at 31 March 2016 and 2017 and its financial performance for the years ended 31 March 2016 and 2017, and the presentation and disclosure thereof in the consolidated financial statements.

Report on other matters under sections 407(2) and 407(3) of the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the De-Consolidated Subsidiaries as described in the Basis for Disclaimer of Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and
- we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review, Business Performance and Outlook

Revenue

During the year, the Group continued to diversify its revenue base to jewelry trading and retailing, lending business as well as pharmaceutical and healthcare products business. The growth in the jewelry trading and retailing and leading business, together with the development of these businesses has compensated the reduction of revenue from wireless value-added services (“WVAS”).

As a result, the Group’s revenue for the year ended 31 March 2017 amounted to approximately HK$30,255,000, representing an increase of approximately 201% from approximately HK$10,050,000 for the year ended 31 March 2016.

Cost of sales and gross profit margin

As a result of entering into pharmaceutical and healthcare products business, as well as the development of the jewelry trading and retailing, cost of sales of the Group increased from approximately HK$4,641,000 for the year ended 31 March 2016 to approximately HK$23,690,000 for the year ended 31 March 2017, representing an increase of approximately 410%. As the above-mentioned businesses had a lower gross profit margin as compared to WVAS business, the overall gross profit margin deceased from approximately 54% to 22% in current year.

Other income and gains

Other income and gains during the year amounted to approximately HK$307,000, which was decreased by approximately HK$297,000 as compared with that of 2016 (2016: HK$604,000). The decrease was mainly attributable to the reduction in gain from fair value change in an investment property.

Selling expenses

The Group’s selling expenses were approximately HK$3,578,000 for the year ended 31 March 2017 and were in line with that for the year ended 31 March 2016 of approximately HK$3,635,000.

Administrative expenses

Administrative expenses experienced an increase of approximately HK$3,642,000 from approximately HK$23,068,000 for the year ended 31 March 2016 to approximately HK$26,710,000 for the year ended 31 March 2017. The increase in such expenses was mainly due to the increase in legal and professional fees.

Other expenses

Other expenses, which mainly represented expenses for other non-operating expenses, decreased from approximately HK$60,000 in 2016 to approximately HK$39,000 in 2017.

Share of loss of an associate

During the year ended 31 March 2017, the Group had share of loss from an associate amounted to approximately HK$195,000 (2016: nil)

Result for the year

The Group's loss attributable to equity holders of the Company was approximately HK$23,657,000 in the current year, representing an decrease in loss of approximately HK$7,667,000 from that in 2016 (2016: HK$31,359,000) which was mainly due to no net loss on de-consolidation of subsidiaries in the current year.

Revaluation of available-for-sale financial assets

During the year ended 31 March 2017, the fair value of the available-for-sale financial assets decreased by approximately HK$5,596,000 to approximately HK$16,583,000 (2016: HK$22,179,000) with respect to the investment in 6% of its shareholdings in Hong Kong Net TV Limited.

Total equity

As a results of funding activities in relation to issue of the Convertible Note and subsequent issue of shares upon conversion of the Convertible Note, effect of which was partially reduced by loss for the year, as at 31 March 2017, the Group's a total equity increased by approximately HK$3,737,000 to approximately HK$74,691,000 (31 March 2016: HK$70,954,000).

Liquidity and financial resources

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the cost of funds, the Group's treasury activities are centralised and cash is generally placed in deposits with banks.

As at 31 March 2017, total cash and cash equivalents of the Group amounted to approximately HK$8,738,000 (31 March 2016: HK$28,761,000). The reduction in total cash and cash equivalent was mainly due to the increase in loan receivables as well as the investment in acquisition of subsidiaries and acquisition of assets through acquisition of subsidiaries.

Treasury policies and foreign currency exchange exposure

As most of the Group's trading transactions, monetary assets and liabilities are denominated in Renminbi and Hong Kong dollar, the impact of foreign exchange exposure to the Group was insignificant and there was no significant adverse effect on normal operations.

Cash is generally deposited at banks in the PRC and Hong Kong and denominated mostly in United States Dollar, Renminbi and Hong Kong Dollar. During the year ended and as at 31 March 2017, no related hedges were made by the Group (2016: nil).

Contingent liabilities

As at 31 March 2017, the Group had no material contingent liabilities (31 March 2016: nil).

Significant investments, acquisitions or disposals

During the year, the Group had acquired the entire interest in and the shareholders' loans to Sino Yao Shang Technology Limited and the entire interest in and the shareholders' loans to King Win Intelligent Technologies Limited.

Capital structure and use of proceeds

Capital structure

The shares of the Company were listed on GEM on 28 March 2000.

On 31 May 2016, the Company and a potential investor entered into a subscription agreement pursuant to which the subscriber agreed to subscribe for, and the Company agreed to issue, a convertible note ("Convertible Note") in the aggregate principal amount of HK$35 million. All the conditions precedent under the subscription agreement have been fulfilled and completion took place on 31 October 2016.

On 24 November 2016, the Company received a notice from the holder of the Convertible Note, requesting for the conversion in the principal amount of HK$35,000,000 into shares in the Company. On 29 November 2016, the Company allotted and issued a total of 112,903,225 shares in the Company to the holder at the conversion price of HK$0.31 per share.

Upon conversion of the Convertible Note, the excess of the carrying amount of the Convertible Note over the nominal value of shares that have been issued of approximately HK$24,160,000 was transferred to the Company's share premium account.

The Company's authorised, issued and fully paid share capital were as follows:

	Number of shares	**Share capital** *HK$'000*
Authorised:		
As at 1 April 2016 and 31 March 2017 (HK$0.1 each)	2,500,000,000	250,000
Issued and fully paid:		
As at 1 April 2016 (HK$0.1 each)	1,095,360,500	109,536
Issue of shares upon conversion of the Convertible Note	112,903,225	11,290
As at 31 March 2017 (HK$0.1 each)	1,208,263,725	120,826

The Group's capital structure is sound with healthy working capital management. As at 31 March 2017, the Group's total equity amounted to approximately HK$74,691,000, representing an increase of approximately HK$3,737,000 compared with approximately HK$70,954,000 as at 31 March 2016. As at 31 March 2017, the Group's cash and cash equivalents totaled approximately HK$8,738,000 (31 March 2016: HK$28,761,000). The current ratio (note a), quick ratio (note b) and gearing ratio (note c) of the Group as at 31 March 2017 was 2.38 (31 March 2016: 2.34), 1.86 (31 March 2016: 1.86) and 13.92% (31 March 2016: net cash position), respectively.

Apart from the above, there has been no material change in the capital structure of the Group during the year.

Notes:

(a) Current Ratio = Current Assets ÷ Current Liabilities

(b) Quick Ratio = (Current Assets – Inventories) ÷ Current Liabilities

(c) Gearing Ratio = (Debts – Cash and cash equivalents) ÷ Equity

Use of proceeds

An analysis about the expected funding needs for the twelve months from September 2016 to August 2017 and the actual use of proceeds up to 31 March 2017 out of Convertible Note was set out as follows:

Total estimated minimum funding need in respect of the issue of the Convertible Note	**Designated area/ business segment**	**Expected source of funding for the twelve months from September 2016 to August 2017**	**Actual use of proceeds up to 31 March 2017**
(i) General working capital (including legal and professional fees, rental expenses, payroll and other administrative expenses, and if investment opportunity arises, may allocate part of the working capital for such opportunity)	Head office	Approximately HK$11.7 million (approximately HK$7.5 million from the proceeds and the remaining of approximately HK$4.2 million from internal resources and other equity financing methods as appropriate from time to time)	Approximately HK$5.91 million

Total estimated minimum funding need in respect of the issue of the Convertible Note	Designated area/ business segment	Expected source of funding for the twelve months from September 2016 to August 2017	Actual use of proceeds up to 31 March 2017
(ii) Balance payment for the acquisition of the sale shares and sale loan of Sino Yao Shang Technology Limited	Pharmaceutical and healthcare products business	Approximately HK$4.3 million for the balance payment as consideration of acquisition	Approximately HK$4.3 million
(iii) Future development of the pharmaceutical and healthcare products business	Pharmaceutical and healthcare products business	Approximately HK$17 million for the future development *(note)*	Nil *(note)*
(iv) Establishment of new wireless value-added services by way of hiring new staffs to seek further business opportunities	Wireless value-added services business	Approximately HK$2.5 million for the establishment	Approximately HK$2.5 million
(v) General working capital (mainly administrative expenses) for wireless value-added services business	Wireless value-added services business	Approximately HK$1.2 million for general working capital	Nil
(vi) General working capital (including purchase of inventories, rental, wages, other administrative expenses and selling and distribution expenses) for the jewelry trading and retailing business	Jewelry trading and retailing business	Approximately HK$8.3 million (approximately HK$1.5 million from the proceeds and the remaining of HK$6.8 million from internal resources and other equity financing methods as appropriate from time to time	Nil
(vii) Administrative expenses for the leading business	Lending business	Approximately HK$0.65 million	HK$0.26 million

The expected funding needs of the Convertible Note were based on the best estimation and assumption of future market conditions at the time of preparing the issue of the Convertible Note while the actual use of proceeds were based on the development of the Group's business.

Note:

Approximately HK$17 million was originally intended for financing the business development of the pharmaceutical and healthcare products business. After considering the operation and business development of the Group, the Board resolved to re-allocate approximately HK$14 million to finance the acquisition and future business development of King Win Intelligent Technologies Limited. The Company would finance the funding needs of the pharmaceutical and healthcare products business by internal resources and/or other possible fund raising activities in future.

Employee and Remuneration Policy

As at 31 March 2017, the Group had a total of 99 employees (31 March 2016: 95). However, total staff costs for the year ended 31 March 2017 decreased to approximately HK$9,659,000 (2016: HK$15,127,000) mainly due to strict control over staff costs.

The Group's remuneration policy is basically determined by the performance of individual employees and Directors and the market condition. In addition to salaries and discretionary bonuses, employee benefits included medical schemes, pension contributions, share option schemes and staff training.

Events after the reporting period

(a) Extension of loan

On 8 May 2017, SZ Enterprise Union Finance Limited, a wholly owned subsidiary of the Company, and an independent third party entered in a loan extension agreement, pursuant to which SZ Enterprise Union Finance Limited has agreed to extend the final repayment date of the loan in the amount of HK$13,000,000 for five months from 8 May 2017 to 8 October 2017. For details, please refer to the Company's announcement dated 8 May 2017.

(b) Provision of loan

On 2 June 2017, SZ Enterprise Union Finance Limited and an independent third party entered in a loan agreement, pursuant to which SZ Enterprise Union Finance Limited has agreed to lend to the independent third party a term loan in the principal amount of HK$6,000,000. The term of the loan is eight months from the drawdown date with interest rate of 12% per annum. For details, please refer to the Company's announcement dated 2 June 2017.

(c) *Disposal of subsidiaries*

On 2 June 2017, the Company entered into a disposal agreement with an independent third party, pursuant to which the Company conditionally agreed to sell and the purchaser conditionally agreed to acquire the entire issued share capital of Prosten (BVI) Limited (together with relevant shareholders loan), which indirectly held the entire issued share capital of the De-Consolidated Subsidiaries, at the consideration of HK$4,600,000. The Disposal was completed on 5 June 2017. For details, please refer to the Company's announcement dated 2 June 2017.

Business Review and Outlook

Lending business

During the financial year ended 31 March 2016, the Group had commenced in lending business in Hong Kong to diversity the Group's income sources by acquiring a group of companies with a valid money lending licence in Hong Kong.

The lending business continued to grow and contributed a positive result to the Group for the year ended 31 March 2017. The Group will pay a closer attention to the market situation and the external economic environment and consider the possibility of further expansion in the lending business sector. There were three major outstanding loan receivables with the Group at the end of the reporting period. All of them were carried out as part of the ordinary and usual course of business of the Group and brought in interest income to the Group. One of the loans was in the principal amount of HK$13,000,000 under the loan agreement and extension agreement entered into between SZ Enterprise Union Finance Limited, an indirect wholly-owned subsidiary of the Company, and the borrower, Mr. Xu Weiqiang, on 21 March 2016 and 20 September 2016 respectively. This loan was unsecured and bearing an interest at a rate of 10% per annum for an original term of six months and an extended term of another six months. Interest accrued under the loan for the original term has been fully paid to the Group before 31 March 2017. Accrued interest for the extended term shall be paid in the first instance upon the end of the third month of the extended term, and thereafter on the final repayment date together with repayment of the principal. The interest derived from this loan was fully settled and the principal was repaid in the aggregate amount of HK$7,500,000 and HK$6,017,000, on 15 May 2017 and 18 May 2017, respectively.

In addition, pursuant to the loan agreement and extension agreement entered into between SZ Enterprise Union Finance Limited and the borrower, Mr. Wen Qimin, on 8 November 2016 and 8 May 2017 respectively, an unsecured loan in a principal amount of HK$13,000,000 bearing interest at a rate of 10% per annum for a six-month period, was drawn down on 8 November 2016. The original final repayment date of the loan was on 8 May 2017 and was extended to 8 October 2017. Accrued interest shall be paid in the first instance upon the end of the third month of the term, and thereafter on the final repayment date together with the repayment of the loan principal. Accrued interest under the extension agreement shall be paid in the first instance upon the end of the third month of the extended term, and thereafter on the final repayment date together with the repayment of the principal.

Furthermore, pursuant to the Company's announcement dated 25 January 2017, a loan agreement granting a loan in the principal amount of HK$10,000,000 was entered into between, SZ Enterprise Union Finance Limited and the borrower, Mr. Chen Tianju, on 25 January 2017. The loan was unsecured and bearing an interest at a rate of 12% per annum. The first drawdown of the loan in the amount of HK$6,000,000 ("Installment 1") was on 25 January 2017 and the remaining of loan of HK$4,000,000 ("Installment 2") should be drawdown on or before 28 February 2017. Drawdown of Installment 2 did not take place by the stipulated deadline of 28 February 2017. The final repayment date of the Installment 1 is on 25 January 2018 but early repayment is allowed.

The Group had obtained valid business licence to conduct lending business in Hong Kong.

Trading and retailing of jewelry business

The Group had also expanded into the trading and retailing of jewelry business since the second half of the financial year ended 31 March 2016 by acquiring a group of jewelry companies which are mainly based in Shenzhen, the PRC. Such acquisition was to broaden the Group's income sources.

The increase in revenue in trading and retailing of jewelry business for the year ended 31 March 2017 was mainly because of the increase in trading of gold and golden jewelry products in the PRC, and the sales of gold to an associate. However, the selling and administrative expenses to maintain and develop this business resulted in loss in this segment. Going forward, the Group will try further effort to control the selling and administrative expenses while balancing the development of this business.

The Group had obtained valid business licences to conduct trading and retailing of jewelry business in both Hong Kong and PRC.

Pharmaceutical and healthcare products business

Further to the commencement of pharmaceutical and healthcare products business, the Group is expected to benefit from entering into the PRC market with a population of 1.4 billion. Despite that the current economic conditions in the PRC were stringent, it is believed that this could turn out to be an opportunity for the Group to develop a sound market share there. Moreover, the Treasury Department of the PRC government has formulated plans to support the pharmaceutical and healthcare business sector with a total budget of RMB1.4 trillion spending in the year 2017. It is expected that the Group would be benefited from the development in this sector.

The Group had obtained valid business licence to conduct pharmaceutical and healthcare products business in the PRC.

Nevertheless, the Group would continue to adopt a cautious approach to balance between our business development process and its financial liquidity position.

Wireless value-added services business

Since the expiry of wireless value-added service contracts with a PRC telecommunication operator during the year ended 31 March 2016, the Group did not have any revenue from wireless value-added service for the year ended 31 March 2017. Despite efforts made during the year to seek further opportunities in this business, considering the challenging and volatile market situation for this business, the Group currently has no plan to further invest in this segment.

Updates on matters relating to the De-consolidation

With reference to the annual report of the Company for the year ended 31 March 2016 ("2016 Annual Report"), the Directors considered that the Group was unable to govern the De-Consolidated Subsidiaries and the control over the De-Consolidated Subsidiaries was lost. Therefore, from 1 January 2016 onwards, the Group had de-consolidated the De-Consolidated Subsidiaries from its financial statements for the financial year ended 31 March 2016.

The Disposal

The Company was in negotiations with relevant party(ies) with an aim to resolving the matters arising from or in connection with the loss of control over the De-Consolidated Subsidiaries. Nevertheless, there was no conclusion in this regard. On 2 June 2017 (after trading hours), the Company entered into a disposal agreement for the disposal of the entire issued share capital of Prosten (BVI) Limited (together with relevant shareholders loan) which indirectly held the entire issued share capital of the De-Consolidated Subsidiaries.

The Disposal in effect casted away the Prosten (BVI) Limited, its subsidiaries and the De-Consolidated Subsidiaries from the Group. Therefore, no further efforts is required to be spent on negotiation or other actions to be taken in connection with the loss of control over the De-Consolidated Subsidiaries.

The Internal Control Review

The Company also engaged an internal control reviewer to conduct an internal control review for the Group (the "IC Review") which covers four major areas, namely, (i) corporate internal control; (ii) financial reporting and disclosure internal control; (iii) internal control over business processes; and (iv) operational manual.

The first stage of the IC Review was completed. Findings and recommendations under the IC Review were presented to the Board and the Board is considering the recommendations and will implement the same if thought fit. The Company expects to take approximately 3 to 6 months to implement the aforesaid recommendations and the follow up review on such implementation will be conducted thereafter. The Company will keep the shareholders of the Company and potential investors of the Company informed in this regard as and when appropriate.

Looking ahead, there are still great challenges for the Group. While carrying out initiatives already under way in its current strategic plans, the Group will also critically review the future opportunities in its existing businesses with a target to re-allocate the Group's resources for a more fruitful manner. In the coming future, the Group will focus its work on strengthen its marketing and channel efforts, increasing user base and improving the quality of its products.

COMPETING INTERESTS

None of the Directors or the controlling shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) have any interests in a business which competes or may compete with the business of the Group, or has any other conflict of interest with the Group during the year under review.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

On 31 October 2016, the Company issued a Convertible Note with a principal amount of HK$35,000,000. The Convertible Note was fully converted into 112,903,225 ordinary shares of the Company on 29 November 2016 at the conversion price of HK$0.31 per share.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2017.

CORPORATE GOVERNANCE CODE

Save as the deviation disclosed below, the Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 15 to the GEM Listing Rules throughout the year under review.

With respect to the deviation, the CG Code provision A.2.1 provides that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. During the year under review, the Company has not appointed chief executive officer. The Chairman, Mr. Xu Zhigang, was responsible for ensuring that the Board functions effectively and smoothly. The Board considers that the current arrangement is adequate in view of the size and complexity of the Group's operations. The Board will, nonetheless, review the business growth of the Group and locate suitable candidate to fill the vacancy of the chief executive officer when considered essential and will continue setting out a clear division of responsibilities at the board level and the day-to-day management team to ensure a proper balance of power and authority within the Company.

Code provision A.6.7 of the CG Code requires all independent non-executive directors and non-executive directors should attend general meetings of listed issuers. Mr. Poon Yan Wai, being independent non-executive Director, was unable to attend the annual general meeting held on 28 September 2016; and Mr. Xu Xiaoping, being independent non-executive Director, and Mr. Chen Weixi, Mr. Yip Heon Keung and Mr. Song Xuxi, being non-executive Directors, were unable to attend the annual general meeting and the extraordinary general meeting held on 28 September 2016 and 18 October 2016 respectively due to their personal commitments.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the maintenance of a sound and effective internal control system of the Group and has established the Group's internal control policies and procedures for monitoring the internal control system. The internal control system of the Group is designed to achieve business objectives, safeguard assets against unauthorized use or disposition, ensure maintenance of proper books and records for the provision of reliable financial information for internal use or publication, and ensure compliance with relevant legislations and regulations. The management and various departments conduct periodic self-assessment of the effectiveness of the internal control policies and procedures. Besides, the Board reviews at least annually the overall effectiveness of the Group's internal control system.

However, certain internal controls were not enforced effectively in the De-Consolidated Subsidiaries. Reference is made to the announcement of the Company dated 24 June 2016 in relation to, amongst others, the issue associated with the non-cooperation of the management of the De-Consolidated Subsidiaries (the "Identified Issue"). Review of the internal control system has been performed by executive management and the Directors after the Identified Issue was brought to the attention of the Board. Based on review of the financial and control situation of the members of the Group other than the De-Consolidated Subsidiaries, the Board is satisfied that there are no other significant governance matters unrelated to the Identified Issue that have had a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements.

The Company also engaged an internal control reviewer to conduct the IC Review which covers four major areas, namely, (i) corporate internal control; (ii) financial reporting and disclosure internal control; (iii) internal control over business processes; and (iv) operational manual.

The first stage of the IC Review was completed. Findings and recommendations under the IC Review were presented to the Board and the Board is considering the recommendations and will implement the same if thought fit. The Company expects to take approximately three to six months to implement the aforesaid recommendations and the follow up review on such implementation will be conducted thereafter. The Company will keep the shareholders of the Company and potential investors of the Company informed in this regard as and when appropriate.

Going forward, the Board will oversee the Company's risk management and internal control systems on an ongoing basis. It will ensure that the Company's risk management and internal control systems are properly designed and implemented and a review of the effectiveness of such systems will be conducted at least annually. The Board will also ensure that adequate resources will be allocated to the Company's risk management and internal control functions to achieve the Group's internal control objectives.

AUDIT COMMITTEE

The Company established its audit committee ("Audit Committee") on 7 March 2000 and has formulated and from time to time amended its written terms of reference in accordance with the provisions set out in the CG Code. The primary duties of the Audit Committee include review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the Group's relationship with its auditors.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Poon Yan Wai (Chairman of the Audit Committee), Mr. Xu Xiaoping, Mr. Lam Kwok Cheong, and one non-executive Director, namely Mr. Chen Weixi.

The Audit Committee has reviewed the annual results and this announcement and has provided advice and comments thereon.

REMUNERATION COMMITTEE

In accordance with the CG Code, the Company established its remuneration committee ("Remuneration Committee") on 17 June 2005 with written terms of reference. The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Xu Xiaoping (Chairman of the Remuneration Committee) and Mr. Lam Kwok Cheong, and one Executive Director, Mr. Xu Zhigang.

NOMINATION COMMITTEE

In accordance with the CG Code, the Company established its nomination committee ("Nomination Committee") on 29 March 2012 with written terms of reference. The principal responsibilities of the Nomination Committee include formulating nomination policy and making recommendations to the Board on nomination and appointment of Directors and Board succession, developing selection procedures for nomination of candidates, reviewing the size, structure and composition of the Board, as well as assessing the independence of independent non-executive Directors.

The Nomination Committee comprises one executive Director, namely Mr. Xu Zhigang (Chairman of the Nomination Committee) and two independent non-executive Directors, Mr. Xu Xiaoping and Mr. Lam Kwok Cheong.

By Order of the Board
Xu Zhigang
Chairman

Hong Kong, 26 June 2017

As at the date of this announcement, the Board comprises the following Directors:

Mr. Xu Zhigang (Executive Director (Chairman))
Mr. Han Jun (Executive Director)
Mr. Shi Liangsheng (Executive Director)
Mr. Wen Xingcheng (Executive Director)
Mr. Chen Weixi (Non-Executive Director)
Mr. Poon Yan Wai (Independent Non-Executive Director)
Mr. Xu Xiaoping (Independent Non-Executive Director)
Mr. Lam Kwok Cheong (Independent Non-Executive Director)

This announcement will remain on the "Latest Company Announcement" page of the GEM website at www.hkgem.com for at least 7 days from the day of its posting and on the Company's website at www.prosten.com.