THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in Prosten Health Holdings Limited, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

The Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and condition of the Offer contained in this Composite Document.

BRILLIANT CHAPTER LIMITED

(Incorporated in the Republic of Seychelles with limited liability)

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)

COMPOSITE DOCUMENT RELATING TO UNCONDITIONAL MANDATORY CASH OFFER BY ETERNAL PEARL SECURITIES LIMITED FOR AND ON BEHALF OF BRILLIANT CHAPTER LIMITED FOR ALL THE ISSUED SHARES IN PROSTEN HEALTH HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY BRILLIANT CHAPTER LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial Adviser to Brilliant Chapter Limited

Odysseus Capital Asia Limited 奧斯資本亞洲有限公司

Financial Adviser to Prosten Health Holdings Limited

Kingston Corporate Finance

INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD COMMITTEE

INCU Corporate Finance Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from Eternal Pearl is set out on pages 6 to 14 of this Composite Document. A letter from the Board is set out on pages 15 to 20 of this Composite Document. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 21 to 22 of this Composite Document. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Offer is set out on pages 23 to 46 of this Composite Document.

The procedures for acceptance of the Offer and other related information are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Friday, 2 February 2018 or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

12 January, 2018

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The timetable sets out below is indicative only and may be subject to change. Further announcement(s) will be made in the event of any changes to the timetable. All references to times and dates contained in this Composite Document are to Hong Kong time and dates.

Event	**Time and Date**
Despatch date of this Composite Document and the accompanying Form of Acceptance *(Note 1)*	Friday, 12 January 2018
Offer open for acceptance *(Note 2)*	Friday, 12 January 2018
Latest time and date for acceptance of the Offer *(Notes 2, 4, 5 and 6)*	4:00 p.m. on Friday, 2 February 2018
Closing date *(Note 2)*	Friday, 2 February 2018
Announcement of the results of the Offer on the website of the Stock Exchange *(Note 2)*	by 7:00 p.m. on Friday, 2 February 2018
Latest date of posting of remittance in respect of valid acceptances received on or before the latest time for acceptance of the Offer *(Notes 3 and 6)*	Tuesday, 13 February 2018

Notes:

1. The Offer, which is unconditional in all respects, are made on Friday, 12 January, 2018, the date of this Composite Document, and are capable of acceptance on and from that date until the Closing Date.

2. The latest time for acceptance of the Offer is 4:00 p.m. on the Closing Date unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror has the right under the Takeovers Code to extend the Offer until such date as it may determine in accordance with the Takeovers Code (or as permitted by the Executive in accordance with the Takeovers Code). An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer have been revised or extended or have expired. In the event that the Offeror decides to extend the Offer, the announcement will state the next closing date of the Offer or that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offer are closed to those Independent Shareholders who have not accepted the Offer.

3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in respect of acceptances of the Offer) payable for the Offer Shares tendered under the Offer will be despatched to accepting Independent Shareholders by ordinary post at their own risk as soon as possible, but in any event within seven Business Days following the date of receipt by the Registrar of all the duly completed acceptance of the Offer and the relevant documents of title of the Offer Shares in respect of such acceptance to render the acceptance under the Offer complete and valid.

4. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in the paragraph headed "4. Right of withdrawal" in Appendix I to this Composite Document.

5. Beneficial owners of Offer Shares who hold their Offer Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant should note the timing requirements (set out in Appendix I to this Composite Document) for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures.

6. The latest time and date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will be varied if there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning, in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances. Instead the latest time and date for acceptance of the Offer will be rescheduled to 4:00 p.m. on the next following Business Day on which neither of those warnings is in force at any time between 9:00 a.m. and 4:00 p.m. and the latest date for posting of remittances will be rescheduled to the next following Business Day on which neither of those warnings are in force at any time between 9:00 a.m. and 4:00 p.m.

Save as mentioned above, if the latest time for the acceptance of the Offer does not take effect on the date and time as stated above, other dates mentioned above may be affected. The Offeror and the Company will notify the Independent Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

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

"Acquisition"	the acquisition of the Sale Shares by the Offeror from the Vendors
"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"associate(s)"	has the meaning ascribed to it in the Takeovers Code
"Board"	the board of Directors
"Business Day(s)"	a day on which the Stock Exchange is open for transaction of business
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"Closing Date"	Friday, 2 February 2018, the closing date of the Offer, which is 21 days after the date on which this Composite Document is posted, or if the Offer is extended, any subsequent closing date of the Offer as extended and announced by the Offeror in accordance with the Takeovers Code
"Company"	Prosten Health Holdings Limited (長達健康控股有限公司), a limited liability company incorporated in the Cayman Islands, the issued Shares of which are listed on GEM
"Completion"	the completion of the acquisition of Sale Shares from the Vendors which took place on 28 November 2017
"Composite Document"	this composite offer and response document in connection with the Offer despatched to the Shareholders
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Director(s)"	the director(s) of the Company from time to time

"Eternal Pearl"	Eternal Pearl Securities Limited, a licensed corporation under the SFO, licensed to conduct Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO and whom will make the Offer for and on behalf of the Offeror
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group"	the Company and its subsidiaries
"Guarantor"	Mr. Xu Zhigang, an executive Director and chairman of the Board
"Fifth Vendor"	Will City Limited, a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Ms. Zhang Yingnan
"First Vendor"	Dynamic Peak Limited, a company incorporated in the British Virgin Islands with limited liability and owned as to 80% by Mr. Chen Weixi, a non-executive Director and 20% by the Guarantor, an executive Director and chairman of the Board
"Form of Acceptance"	the form of acceptance and transfer in respect of the Offer accompanying this Composite Document
"Fourth Vendor"	Right Advance Management Limited, a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Wang Li Mei
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Poon Yan Wai, Mr. Xu Xiaoping and Mr. Lam Kwok Cheong, which has been established in accordance with the Takeovers Code to advise the Independent Shareholders in respect of the Offer

"Independent Financial Adviser"	INCU Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the terms of the Offer and as to their acceptance
"Independent Shareholders"	Shareholders other than the Offeror and the parties acting in concert with it
"Joint Announcement"	the announcement jointly published by the Company and the Offeror dated 1 December 2017 in relation to, among other things, the Sale and Purchase Agreement and the Offer
"Kingston Corporate Finance"	Kingston Corporate Finance Limited, a licensed corporation under the SFO, licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, and the financial adviser to the Company in respect of the Offer
"Last Trading Date"	28 November 2017, being the last trading day immediately prior to the suspension of trading in the Shares on the Stock Exchange pending the publication of the Joint Announcement
"Latest Practicable Date"	11 January 2018, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information in this Composite Document
"Mr. Zhang"	Mr. Zhang Chun Hua (張春華), brother of Ms. Zhang, beneficial owner of 80% of the issued share capital of the Offeror and a director of the Offeror
"Ms. Zhang"	Ms. Zhang Chun Ping (張春萍), sister of Mr. Zhang beneficial owner of 20% of the issued share capital of the Offeror and a director of the Offeror
"Odysseus"	Odysseus Capital Asia Limited, a licensed corporation under the SFO, licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, and the financial adviser to the Offeror in relation to the Offer
"Offer"	the unconditional mandatory cash offer made by Eternal Pearl for and on behalf of the Offeror to acquire all the Offer Shares pursuant to Rule 26.1 of the Takeovers Code

"Offer Period"	the period from 1 December 2017, being the date of the Joint Announcement, to 4:00 p.m. on the Closing Date or such later time and/or date to which the Offeror may decide to extend the Offer in accordance with the Takeovers Code
"Offer Price"	the price of HK$0.28 per Offer Share payable in cash by the Offeror on the terms of the Offer
"Offer Share(s)"	all the Shares in issue, other than those already owned by the Offeror or parties acting in concert with it
"Offeror"	Brilliant Chapter Limited, a limited liability company incorporated in the Republic of Seychelles
"Overseas Shareholder(s)"	Shareholder(s) whose address(es), as shown on the register of members of the Company, is/are outside Hong Kong
"PRC"	the People's Republic of China (for the purpose of this Composite Document, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan)
"Registrar"	Tricor Tengis Limited, the branch share registrar of the Company in Hong Kong
"Relevant Period"	the period commencing six months immediately prior to 1 December 2017 (being the date of the Joint Announcement) up to and including the Latest Practicable Date
"Sale and Purchase Agreement"	the sale and purchase agreement dated 28 November 2017 entered into between the Offeror, the First Vendor and the Guarantor
"Sale Share(s)"	757,506,294 Shares legally and beneficially owned by the Vendors immediately prior to the Completion, representing approximately 62.55% of the total issued share capital of the Company as at the date of the Joint Announcement
"Second Vendor"	Rainbow Enterprise Holdings Co Limited, a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Cheng Haiqing
"SFC"	the Securities and Futures Commission of Hong Kong

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of Share(s)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Sixth Vendor"	China Force Enterprises Inc., a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Ms. Shen Jing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Code on Takeovers and Mergers in Hong Kong in force from time to time
"Third Vendor"	Ms. Shen Jing
"Vendors"	the First Vendor, the Second Vendor, the Third Vendor, the Fourth Vendor, the Fifth Vendor and the Sixth Vendor, their respective shareholdings in the Company prior to Completion is set out in paragraph headed "Shareholding structure of the Company" in the "Letter from the Board"
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

ETERNAL PEARL SECURITIES LIMITED
19/F, 88 Gloucester Road, Wan Chai, Hong Kong

12 January 2018

To the Independent Shareholders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFER BY ETERNAL PEARL SECURITIES LIMITED FOR AND ON BEHALF OF BRILLIANT CHAPTER LIMITED FOR ALL THE ISSUED SHARES IN PROSTEN HEALTH HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY BRILLIANT CHAPTER LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

1. INTRODUCTION

On 1 December 2017, the Company and the Offeror jointly announced that on 28 November 2017 (after the trading hours of the Stock Exchange), the Offeror, the Guarantor and the First Vendor entered into the Sale and Purchase Agreement pursuant to which the First Vendor agreed to sell and the Offeror agreed to purchase 294,276,619 Shares, representing approximately 24.3% of the total issued share capital of the Company as at the date of the Joint Announcement, at a cash consideration of HK$82,397,453.3 (equivalent to HK$0.28 per Share) on delivery versus payment basis.

It was further announced that on 28 November 2017 (after trading hours of the Stock Exchange), the Offeror further acquired from the Second Vendor, the Third Vendor, the Fourth Vendor, the Fifth Vendor and the Sixth Vendor an aggregate of 463,229,675 Shares (as to 154,647,000 Shares representing approximately 12.77% of the total issued share capital of the Company from the Second Vendor, 112,903,225 Shares representing approximately 9.32% of the total issued share capital of the Company from the Third Vendor, 111,000,000 Shares representing approximately 9.17% of the total issued share capital of the Company from the Fourth Vendor, 70,000,000 Shares representing approximately 5.78% of the total issued share capital of the Company from the Fifth Vendor and 14,679,450 Shares representing approximately 1.21% of the total issued share capital of the Company from the Sixth Vendor), representing approximately 38.25% of the total issued share capital of the Company as at the date of the Joint Announcement. The aggregate consideration for the 463,229,675 Shares is HK$129,704,309 (equivalent to HK$0.28 per Share).

Completion took place on 28 November 2017.

Pursuant to Rule 26.1 of the Takeovers Code, upon Completion, the Offeror will be required to make the Offer for all the issued Shares (other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it).

As at the Latest Practicable Date, the Offeror held 757,506,294 Shares, representing approximately 62.55% of the issued share capital of the Company based on the latest published information of the Company available to the public.

This letter forms part of this Composite Document which sets out, among other things, the details of the Offer, information on the Offeror and the intention of the Offeror regarding the Group. Further details of terms and procedures of acceptance of the Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

The Independent Shareholders are strongly advised to consider carefully the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" as set out in this Composite Document and to consult their professional advisers before reaching a decision as to whether or not to accept the Offer.

2. THE OFFER

Principal terms of the Offer

Eternal Pearl will make the Offer for and on behalf of the Offeror and in compliance with the Takeovers Code on the following basis:

For each Offer Share .... HK$0.28 in cash

The Offer Price is the same as the price paid by the Offeror (rounded up to the nearest cent) for each Sale Share pursuant to the Acquisition.

As at the Latest Practicable Date, the Offeror held 757,506,294 Shares, representing approximately 62.55% of the entire issued share capital of the Company. Save for the aforesaid, the Offeror and the parties acting in concert with it do not have any other interests in the share capital or voting rights of the Company.

The Offer will be extended to all Shareholders in accordance with Rule 26.1 of the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them on or after the date on which the Offer is made, being the date of despatch of this Composite Document, or subsequently becoming attached to them.

The Offer will be unconditional in all respects and will be for all existing issued Shares but excluding the Sale Shares and any other Shares already owned by the Offeror and persons acting in concert with it. As at the Latest Practicable Date, there is no agreement, arrangement or understanding for the Offer Shares acquired pursuant to the Offer to be transferred, charged or pledged to any other person.

Comparison of value

The Offer Price of HK$0.28 per Offer Share, which is the same as the price per Sale Share paid by the Offeror represents:

(1) a discount of approximately 31.71% to the closing price of HK$0.41 per Share as quoted on the Stock Exchange on 28 November 2017, being the Last Trading Date and the commencement date of the Offer;

(2) a discount of approximately 25.73% to the average closing price of HK$0.377 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Date;

(3) a discount of approximately 21.68% to the average closing price of approximately HK$0.3575 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Date;

(4) a discount of approximately 15.15% to the average closing price of approximately HK$0.33 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Date;

(5) a premium of approximately 352% over the audited consolidated net assets value attributable to the Shareholders per Share of approximately HK$0.062 as at 31 March 2017, the date on which the latest audited financial results of the Group were made up (based on the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK$74,726,000 as at 31 March 2017 and 1,208,263,725 Shares in issue as at 31 March 2017);

(6) a premium of approximately 254% over the unaudited consolidated net assets value attributable to the Shareholders per Share of approximately HK$0.079 as at 30 September 2017, the date on which the latest unaudited financial results of the Group were made up (based on the Group's unaudited consolidated net asset value attributable to the Shareholders of approximately HK$95,466,000 as at 30 September 2017 and 1,210,963,725 Shares in issue as at 30 September 2017); and

(7) a discount of approximately 5.08% to the closing price of HK$0.295 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share prices

The highest closing price of the Shares during the Relevant Period was HK$0.41 per Share as quoted on the Stock Exchange on 28 November 2017 and the lowest closing price of the Shares during the Relevant Period was HK$0.217 per Share as quoted on the Stock Exchange on 1 September 2017.

Total consideration of the Offer

On the basis of 1,210,963,725 Shares in issue as at the Latest Practicable Date and the Offer Price of HK$0.28 per Offer Share, the entire issued share capital of the Company is valued at HK$339,069,843. Excluding the 757,506,294 Sale Shares acquired by the Offeror, 453,457,431 Shares will be subject to the Offer and the Offer is valued at approximately HK$126,968,081 based on the Offer Price.

Financial resources available for the Offer

The maximum cash consideration payable under the Offer, other than the Shares already held by the Offeror and the parties acting in concert with it, is approximately HK$126,968,081. The Offeror would finance the consideration payable under the Offer by shareholders' loan from the ultimate beneficial owners of the Offeror, details of the ultimate beneficial owners of the Offeror are set out below. The Offeror confirms that the payment of interest on, repayment of or security for any liability (contingent or otherwise) in relation to the shareholders' loan, will not be dependent on the business of the Company.

As at the Latest Practicable Date, none of Eternal Pearl nor Odysseus is a beneficial owner of any Shares. Odysseus is satisfied that sufficient financial resources are available to the Offeror to satisfy the total consideration in respect of full acceptances of the Offer.

Effect of accepting the Offer

By accepting the Offer, the Independent Shareholders will sell their Shares to the Offeror free from all liens, claims, encumbrances and all third-party rights and with all rights attached thereto as at the date of this Composite Document or subsequently becoming attached to them, including the right to receive all dividends declared, paid or made, if any, on or after the date of this Composite Document.

Stamp duty

Seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by each accepting Independent Shareholder at the rate of 0.1% of the consideration payable by the Offeror to such accepting Independent Shareholder or if higher, the market value of the Shares, and will be deducted from the cash amount payable to such accepting Independent Shareholder. The Offeror will pay the buyer's ad valorem stamp duty and will account to the Stamp Office of Hong Kong for the stamp duty payable on the sale and purchase of the relevant Offer Shares pursuant to acceptances of the Offer and the transfer of the Offer Shares in accordance with Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

No fractions of a cent will be payable and the amount of the consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

Settlement

Settlement of the considerations for the Offer Shares will be made in cash as soon as possible but in any event within seven Business Days following the date on which the duly completed acceptance of the Offer and the relevant documents of title are received by or on behalf of the Offeror (or its agent) to render each such acceptance complete and valid.

Tax Implications

None of the Company, the Offeror and parties acting in concert with it, Eternal Pearl, Odysseus, the Registrar or any of their respective ultimate beneficial owners, directors, officers, professional advisers, agents or associates or any other person involved in the Offer is in a position to advise the Independent Shareholders on their individual tax implications. The Independent Shareholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offer. None of the Company, the Offeror and parties acting in concert with it, Eternal Pearl, Odysseus, the Registrar or any of their respective ultimate beneficial owners, directors, officers, professional advisers, agents or associates or any other person involved in the Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Overseas Shareholders

As the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from such Shareholder in respect of such jurisdictions as a result of the acceptance of the Offer). Acceptance of the relevant Offer by such Overseas Shareholders will constitute a representation and warranty to the Offeror that legal and regulatory requirements of all relevant territories in connection with the acceptance of the Offer have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

3. INFORMATION OF THE OFFEROR

The Offeror, Brilliant Chapter Limited, is a company incorporated in the Republic of Seychelles, with limited liability. The Offeror is an investment holding company and has not conducted any business since its incorporation. The issued share capital of the Offeror is beneficially owned as to 80% by Mr. Zhang and as to 20% by Source Mega Limited, a company incorporated in the Republic of Seychelles (as a nominee of Ms. Zhang). The directors of the Offeror are Mr. Zhang and Ms. Zhang and the sole director of Source Mega Limited is Ms. Zhang. Mr. Zhang is the brother of Ms. Zhang.

4. INFORMATION ON THE GROUP

Your attention is drawn to the section headed "Information on the Group" in the "Letter from the Board" on page 17 of this Composite Document.

5. INTENTION OF THE OFFEROR IN RELATION TO THE GROUP

Regarding the business assets and employees of the Group

Following the close of the Offer, the Offeror intends to continue the existing principal businesses of the Group. The Offeror will conduct a review on the financial position and the operations of the Company and will formulate long-term business plans and strategies of the Company, explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. Should such corporate actions materialise, further announcement(s) will be made in accordance with the GEM Listing Rules. The Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

Regarding the Board composition

As at the Latest Practicable Date, the Board is made up of seven Directors, comprising three executive Directors, being the Guarantor, Mr. Han Jun and Mr. Shi Liangsheng, one non-executive Director, being Mr. Chen Weixi and three independent non-executive Directors, being Mr. Poon Yan Wai, Mr. Xu Xiaoping and Mr. Lam Kwok Cheong. Under the Sales and Purchase Agreement, all Directors (other than the Guarantor who shall be re-designated as a non-executive Director) shall resign as directors of the Company which shall take effect on the earliest date permitted under the Takeovers Code.

The Offeror intends to nominate Mr. Zhang and Ms. Zhang as the executive Directors. The Offeror is in the course of identifying additional candidates for the Board subject to compliance with the Takeovers Code and the Listing Rules. The appointment of Director(s) nominated by the Offeror will not take effect earlier than the date of posting of this Composite Document in compliance with Rule 26.4 of the Takeovers Code.

Further announcement will be published by the Company in respect of the changes to the Board pursuant to the Takeovers Code and the GEM Listing Rules as and when appropriate.

Mr. Zhang, aged 45, founded a trading company in Shenzhen and it evolved to become a global supply chain management corporation which Mr. Zhang is currently the chairman. Mr. Zhang is responsible for the overall strategic development of the corporation which is one of the top 100 enterprises in Shenzhen, the PRC in 2016 and 2017 and a pioneer of supply chain management in the PRC. Mr. Zhang has over 12 years of experience in supply chain management in the PRC. Mr. Zhang was the vice chairman of 深圳市工商業聯合會第七屆執委會 (for transliteration purpose only, Shenzhen Federation of Industry and Commerce, the 7th Executive Committee) and 深圳市總商會第七屆理事會 (for transliteration purpose only, Shenzhen General Chamber of Commerce, the 7th Council).

Ms. Zhang, aged 40, has over 10 years of experience in financial management in the PRC and she is the financial director of the global supply chain management corporation Mr. Zhang founded since 2007. Ms. Zhang is responsible for overseeing the financial operation of the corporation and liaising with various bankers of the corporation for banking facilities and other services.

6. MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (a) a false market exists or may exist in the trading of the Shares; or (b) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror intends that the Company will remain listed on the GEM. The directors of the Offeror and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

In this connection, in the event that the public float falls below 25% at the close of the Offer, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the GEM Listing Rules can be met. Appropriate announcement(s) will be made in this regard as and when appropriate in compliance with the GEM Listing Rules.

7. COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any powers of compulsory acquisition of any Shares outstanding after the close of the Offer.

8. GENERAL

To ensure equality of treatment to all Independent Shareholders, those registered Independent Shareholders who hold any Offer Share as nominee for more than one beneficial owners should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to accept the Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Offer. The attention of Independent Shareholders with registered addresses outside Hong Kong is also drawn to the paragraph headed "6. Overseas Shareholders" in Appendix I to this Composite Document.

To accept the Offer, Independent Shareholders should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon. The Form of Acceptance forms part of the terms of the Offer. The duly completed Form of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) must be sent by post or by hand to the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "Prosten Health Holdings Limited — Offer" to be received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and the Offeror may announce with the consent of the Executive in accordance with the Takeovers Code.

No acknowledgement of receipt of any Form(s) of Acceptance, together with the share certificate(s) and/or transfer receipt(s) (if applicable), and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

All documents and remittances sent to the Independent Shareholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company or in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company. None of the Offeror, Eternal Pearl, Odysseus, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

9. ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the Appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document.

In considering what action to take in connection with the Offer, you should consider your own tax or financial position and if you are in any doubt, you should consult your professional advisers.

CVP Capital Limited has resigned as a financial adviser to the Offeror, and confirms that there is nothing which needs to be drawn to the Shareholders' attention in connection with its resignation.

Yours faithfully,
For and on behalf of
Eternal Pearl Securities Limited
Jammy Lui
Chief Executive Officer

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)

Executive Director:
Mr. Xu Zhigang *(Chairman)*
Mr. Han Jun
Mr. Shi Liangsheng

Non-executive Director:
Mr. Chen Weixi

Independent non-Executive Director:
Mr. Poon Yan Wai
Mr. Xu Xiaoping
Mr. Lam Kwok Cheong

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

Principal Place of Business in Hong Kong:
Unit 715, Star House
3 Salisbury Road
Tsim Sha Tsui
Kowloon, Hong Kong

12 January 2018

To the Independent Shareholders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFER BY ETERNAL PEARL SECURITIES LIMITED FOR AND ON BEHALF OF BRILLIANT CHAPTER LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF PROSTEN HEALTH HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY BRILLIANT CHAPTER LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

Reference is made to the Joint Announcement.

The Company was informed by the First Vendor that on 28 November 2017 (after trading hours of the Stock Exchange), the Offeror, the Guarantor and the First Vendor entered into the Sale and Purchase Agreement pursuant to which the First Vendor agreed to sell and the Offeror agreed to purchase 294,276,619 Shares, representing approximately 24.3% of the total issued share capital of the Company as at the date of the Joint Announcement, at a cash consideration of HK$82,397,453.30 (equivalent to HK$0.28 per Share), free from all encumbrances and together with all rights now or hereafter attaching to them, including all rights to any dividend or other distribution declared, made or paid on or after the date of Completion. The Guarantor shall guarantee all of the First Vendor's obligations and liabilities under the Sale and Purchase Agreement.

The First Vendor is owned as to 80% by Mr. Chen Weixi, who is a non-executive Director and 20% by the Guarantor, who is an executive Director and chairman of the Board.

The Company was also informed by the Offeror that, on 28 November 2017 (after trading hours of the Stock Exchange), the Offeror further acquired from the Second Vendor, the Third Vendor, the Fourth Vendor, the Fifth Vendor and the Sixth Vendor an aggregate of 463,229,675 Shares (as to 154,647,000 Shares representing approximately 12.77% of the total issued share capital of the Company from the Second Vendor, 112,903,225 Shares representing approximately 9.32% of the total issued share capital of the Company from the Third Vendor, 111,000,000 Shares representing approximately 9.17% of the total issued share capital of the Company from the Fourth Vendor, 70,000,000 Shares representing approximately 5.78% of the total issued share capital of the Company from the Fifth Vendor and 14,679,450 Shares representing approximately 1.21% of the total issued share capital of the Company from the Sixth Vendor), representing approximately 38.25% of the total issued share capital of the Company as at the date of the Joint Announcement. The aggregate consideration for the 463,229,675 Shares is HK$129,704,309 (equivalent to HK$0.28 per Share).

Completion took place on 28 November 2017. Upon Completion and as at the Latest Practicable Date, the Offeror held 757,506,294 Shares, representing approximately 62.55% of the issued share capital of the Company.

Pursuant to Rule 2.1 of the Takeovers Code, the Company has established the Independent Board Committee comprising all the non-executive Directors, who have no direct or indirect interest in the Offer, to advise the Independent Shareholders in respect of the Offer and make a recommendation as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. Mr. Chen Weixi, who is a non-executive Director and owns 80% shareholding interest in the First Vendor under the Sale and Purchase Agreement, has interests in the Offer and is not included in the Independent Board Committee. INCU Corporate Finance Limited has been appointed as the Independent Financial Adviser of the Company (with the approval of the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer and in particular as to whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance thereof.

The purpose of this Composite Document, of which this letter forms part, is to provide you with, among other things, information relating to the Group and the Offer as well as setting out the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the terms of the Offer and as to the acceptance thereof and the letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Offer and as to the acceptance thereof.

THE OFFER

According to the "LETTER FROM ETERNAL PEARL" set out on pages 6 to 14 of this Composite Document, Eternal Pearl is making the Offer in accordance with the Takeovers Code on the following basis:

For each Offer Share .... HK$0.28 in cash

The Offer Price is the same as the price paid by the Offeror (rounded up to the nearest cent) for each Sale Share pursuant to the Acquisition.

As at the Latest Practicable Date, the Company has 1,210,963,725 Shares in issue. Save for the aforesaid, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue as at the Latest Practicable Date.

The Offer will be extended to all Shareholders in accordance with Rule 26.1 of the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them on or after the date on which the Offer is made, being the date of despatch of this Composite Document, or subsequently becoming attached to them.

The Offer will be unconditional in all respects and will be for all existing issued Shares but excluding the Sale Shares and any other Shares already owned by the Offeror and persons acting in concert with it.

INFORMATION ON THE GROUP

The Company is an investment holding company and was incorporated in the Cayman Islands with limited liability on 22 November 1999 and its Shares have been listed on the GEM since 28 March 2000 under the stock code 8026.

The Group is principally engaged in the trading and distribution of medical, pharmaceutical and healthcare food products; design, research and development, wholesale and retail of jewellery; and provision of money lending services.

Your attention is drawn to appendices II and III to this Composite Document which contain further financial information and general information of the Group.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, there are a total of 1,210,963,725 Shares in issue. The Company has no other outstanding warranties, options, derivatives or securities convertible into Shares. The table below sets out the shareholding structure of the Company prior to and immediately after the Completion but before the Offer:

Shareholder	Prior to the Completion			Immediately after the Completion and as at the Latest Practicable Date	
	No. of Shares	*Approximate % of issued Share capital*		*No. of Shares*	*Approximate % of issued Share Capital*
The Offeror and parties acting in concert with it	—	—		757,506,294	62.55
The First Vendor	294,276,619	24.30			—
The Second Vendor	154,647,000	12.77			—
The Third Vendor	112,903,225	9.32			—
The Fourth Vendor	111,000,000	9.17			—
The Fifth Vendor	100,000,000	8.26		30,000,000	2.48
The Sixth Vendor	14,679,450	1.21			
Mr. Pei Chuang	70,000,000	5.78		70,000,000	5.78
Other public Shareholders	353,457,431	29.19	Vendors (other than the Fifth Vendor) and other public Shareholders	353,457,431	29.19
Total	**1,210,963,725**	**100.00**		**1,210,963,725**	**100.00**

INFORMATION OF THE OFFEROR

Your attention is drawn to the section headed "INFORMATION OF THE OFFEROR" in the "LETTER FROM ETERNAL PEARL" as set out on page 10 of this Composite Document.

THE OFFEROR'S INTENTIONS IN RELATION TO THE GROUP

Your attention is drawn to the sections headed "INFORMATION OF THE OFFEROR" and "INTENTION OF THE OFFEROR IN RELATION TO THE GROUP" in the "LETTER FROM ETERNAL PEARL" as set out on pages 10 and 12 of this Composite Document. The Board is aware of the intention of the Offeror in respect of the Company and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole. The Board is pleased to learn that the Offeror intends to continue the existing principal businesses of the Group and that the Offeror has no intention to discontinue the employment of any employees of the Group (save for the change of Board composition as disclosed in the paragraph headed "Regarding the Board composition" in the "LETTER FROM ETERNAL PEARL" of this Composite Document) or redeploy the fixed assets of the Group other than those in the ordinary and usual course of business.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Stock Exchange believes that (a) a false market exists or may exist in the trading of the Shares; or (b) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.

According to "LETTER FROM ETERNAL PEARL", the Offeror intends that the Company will remain listed on the GEM. The directors of the Offeror and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

In this connection, in the event that the public float falls below 25% at the close of the Offer, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the GEM Listing Rules can be met. Appropriate announcement(s) will be made in this regard as and when appropriate in compliance with the GEM Listing Rules.

RECOMMENDATION

Your attention is drawn to the "LETTER FROM THE INDEPENDENT BOARD COMMITTEE" set out on pages 21 to 22 of this Composite Document, which sets out its advices and recommendations to the Independent Shareholders as to whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof; and the "LETTER FROM THE INDEPENDENT FINANCIAL ADVISER" set out on pages 23 to 46 of this Composite Document, which sets out its advice and recommendation to the Independent Board Committee and the Independent Shareholders as to whether the Offer is fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof, and the principal factors considered by it before arriving at its advice and recommendation.

ADDITIONAL INFORMATION

You are advised to read this Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is drawn to the additional information contained in the appendices to this Composite Document. In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of doubt, consult your professional advisers.

By Order of the Board
Prosten Health Holdings Limited
Xu Zhigang
Chairman and executive Director

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)

12 January 2018

To the Independent Shareholders

UNCONDITIONAL MANDATORY CASH OFFER BY ETERNAL PEARL SECURITIES LIMITED FOR AND ON BEHALF OF BRILLIANT CHAPTER LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF PROSTEN HEALTH HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY BRILLIANT CHAPTER LIMITED AND PARTIES ACTING IN CONCERT WITH IT);

INTRODUCTION

We refer to the composite offer and response document (the "**Composite Document**") dated 12 January 2018 jointly issued by the Offeror and the Company of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in this Composite Document unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the Offer is fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptances thereof.

INCU Corporate Finance Limited has been appointed as the Independent Financial Adviser with our approval to advise us in respect of the terms of the Offer and as to acceptance thereof. Details of its advice and the principal factors and reasons taken into account by it in arriving at its advice and recommendation are set out in the "LETTER FROM THE INDEPENDENT FINANCIAL ADVISER" on pages 23 to 46 of this Composite Document.

We also wish to draw your attention to the "LETTER FROM THE BOARD", the "LETTER FROM ETERNAL PEARL" and the additional information set out in the appendices to this Composite Document.

RECOMMENDATION

Having taken into account the terms of the Offer, and the advice and recommendation from the Independent Financial Adviser, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and therefore recommend the Independent Shareholders to accept the Offer.

Notwithstanding our recommendations, as different Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we would recommend any Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

The Independent Shareholders who wish to realise their investment in the Group are also reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, where possible, rather than accepting the Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Offer. In any event, the Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period.

Yours faithfully,
For and on behalf of the
Independent Board Committee

Mr. Poon Yan Wai	**Mr. Xu Xiaoping**	**Mr. Lam Kwok Cheong**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of a letter of advice from INCU to the Independent Board Committee and the Independent Shareholders in relation to the Offer, which has been prepared for the purpose of inclusion in this Composite Document.

INCU Corporate Finance Limited
Unit 1701, 17/F, Wings Building,
110-116 Queen's Road Central,
Central, Hong Kong

12 January 2018

*To the Independent Board Committee and
the Independent Shareholders of
Prosten Health Holdings Limited*

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER BY
ETERNAL PEARL SECURITIES LIMITED
FOR AND ON BEHALF OF
BRILLIANT CHAPTER LIMITED
TO ACQUIRE ALL THE ISSUED SHARES OF
PROSTEN HEALTH HOLDINGS LIMITED
(OTHER THAN THOSE SHARES ALREADY OWNED
BY BRILLIANT CHAPTER LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the independent board committee (the "**Independent Board Committee**") of Prosten Health Holdings Limited (the "**Company**") and the Independent Shareholders in relation to the Offer, details of which are set out in this composite offer and response document to the shareholders of the Company of even date and of which this letter forms part (the "**Composite Document**"). This letter contains our advice to the Independent Board Committee and the Independent Shareholders as to whether the Offer is fair and reasonable and as to the acceptance of the Offer. Capitalised terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context otherwise requires.

Reference is made to the Joint Announcement of the Company dated 1 December 2017. On 28 November 2017 (after trading hours of the Stock Exchange), the Offeror, the Guarantor and the First Vendor entered into the Sale and Purchase Agreement pursuant to which the First Vendor agreed to sell and the Offeror agreed to purchase 294,276,619 Shares, representing approximately 24.3% of the total issued share capital of the Company as at the Latest Practicable Date, at a cash consideration of HK$82,397,453.3 (equivalent to HK$0.28 per Share) on delivery versus payment basis. The Company was also informed by the Offeror that on 28 November 2017 (after trading hours of the Stock Exchange), the Offeror further acquired from the Second Vendor, the Third Vendor, the Fourth Vendor, the Fifth Vendor and the Sixth Vendor an aggregate of 463,229,675 Shares (as to 154,647,000 Shares representing approximately 12.77% of the total issued share capital of the Company from the Second Vendor, 112,903,225 Shares representing approximately 9.32% of the total issued share capital of the Company from the Third Vendor, 111,000,000 Shares representing approximately 9.17% of the total issued share capital of the Company from the Fourth Vendor, 70,000,000 Shares representing approximately 5.78% of the total issued share capital of the Company from the Fifth Vendor and 14,679,450 Shares representing approximately 1.21% of the total issued share capital of the Company from the Sixth Vendor), representing approximately 38.25% of the total issued share capital of the Company as at the Latest Practicable Date. The aggregate consideration for the 463,229,675 Shares is HK$129,704,309 (equivalent to HK$0.28 per Share).

Completion took place on 28 November 2017. Upon the Completion, the Offeror and parties acting in concert with it beneficially own 757,506,294 Shares, representing approximately 62.55% of the total issued share capital of the Company as at the date of the Joint Announcement and the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares, other than those already owned and/or agreed to be acquired by the Offeror or parties acting in concert with it.

THE INDEPENDENT BOARD COMMITTEE

In accordance with Rule 2.1 of the Takeovers Code, the Company has established the Independent Board Committee comprising all the non-executive Directors, to make recommendation to the Independent Shareholders in respect of the Offer. Mr. Chen Weixi, who is a non-executive Director and owns 80% shareholding interest in the First Vendor under the Sale and Purchase Agreement, has direct interests in the Offer and is not included in the Independent Board Committee. As a result, the Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Poon Yan Wai, Mr. Xu Xiaoping and Mr. Lam Kwok Cheong, has been formed to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer. We, INCU Corporate Finance Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Our appointment has been approved by the Independent Board Committee in accordance with Rule 2.1 of the Takeovers Code.

We have not acted as an independent financial adviser and has not provided any other services to the Company during the past two years. We are independent from and not connected with the Company, the Offeror, or any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. Apart from the normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, or any of their respective substantial shareholders, or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Offer.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or provided to us by the Company and management of the Group, which we have assumed to be true, accurate and complete. We have reviewed the published information on the Company, including but not limited to, the annual reports for the year ended 31 March 2016 (the "**2015/16 Annual Report**") and 31 March 2017 (the "**2016/17 Annual Report**"), the interim report for the six months ended 30 September 2017 (the "**2017/18 Interim Report**"), the information contained in the Composite Document and certain published information from the public domain. We have relied on the information and facts provided, and the opinions expressed, by the Directors and the management of the Group, which we have assumed to be true, accurate, complete and not misleading in all material aspects as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such representations as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have sought and received confirmation from the Directors and the management of the Group that no material facts have been omitted from the information provided and opinions expressed by them to us. We consider that the information which we have received is sufficient for us to reach our opinion and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to doubt the truth, accuracy or completeness of the information provided to us or to believe that any material information has been omitted or withheld. We have not, however, conducted any independent investigation into the business and affairs of the Group nor have we carried out any independent verification of the information provided.

We have not considered the tax consequences on the Independent Shareholders in respect of their acceptance or non-acceptance of the Offer since they vary depending on respective individual circumstances. The Independent Shareholders should consider their own tax positions and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE OFFER

Immediately prior to the Completion, the Offeror and parties acting in concert with it were not interested in any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company. Upon the Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it beneficially own 757,506,294 Shares, representing 62.55% of the total issued share capital of the Company. Save for the aforesaid, the Offeror and the parties acting in concert with it do not have any other interests in the share capital or voting rights of the Company.

In accordance with Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for the Offer Shares, being all the Shares in issue, other than those already owned by the Offeror or parties acting in concert with it.

As at the Latest Practicable Date, the Company had 1,210,963,725 Shares in issue. Other than these, the Company had no other outstanding shares, options, warrants, derivative or other securities that are convertible or exchangeable into Shares or other types of equity interest in issue.

Eternal Pearl, is making the Offer for and on behalf of the Offeror to all the Independent Shareholders for all issued Shares (other than those already owned or to be acquired by the Offeror and parties acting in concert with it) on the terms set out in the Composite Document in accordance with Rules 26.1 of the Takeovers Code respectively, on the following basis:

For each Offer Share ....HK$0.28 in cash

The Offer Price is the same as the price paid by the Offeror (rounded up to the nearest cent) for each Sale Share pursuant to the Acquisition.

The Offer will be extended to all Shareholders in accordance with Rule 26.1 of the Takeovers Code. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them on or after the date on which the Offer is made, being the date of despatch of the Composite Document, or subsequently becoming attached to them.

The Offer will be unconditional in all respects and will be for all existing issued Shares but excluding the Sale Shares and any other Shares already owned by the Offeror and persons acting in concert with it. As at the Latest Practicable Date, there is no agreement, arrangement or understanding for the Offer Shares to be acquired pursuant to the Offer to be transferred, charged or pledged to any other person. As at the Latest Practicable Date, the Fifth Vendor is the beneficial owner of 30,000,000 Shares (representing approximately 2.48% of the issued share capital of the Company). Save as the shareholding of the Fifth Vendor, none of the Vendors beneficially own any Shares as at the Latest Practicable Date.

By validly accepting the Offer, Shareholders would sell their tendered Shares to the Offeror free from all encumbrances and together with all rights attaching to them, including the rights to receive in full all dividends and other distributions, if any, declared, made or paid by reference to a record date on or after the date on which the Offer is made, that is, the date of the posting of the Composite Document.

Acceptance of the Offer by any Independent Shareholders will be deemed to constitute a warranty by such person or persons to the Offeror and the Company that their Shares under the Offer (as the case may be) are free from all third party rights and encumbrances whatsoever and together with all rights accruing or attaching thereto including in the case of the Shares, the right to receive in full all dividends and distributions recommended, declared, made or paid on or after the date the Composite Document. Acceptance of the Offer would be irrevocable and would not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

For further details of the Offer (including the terms and procedures for acceptance of the Offer), please refer to the "Letter from Eternal Pearl" as set out on pages 6 to 14 of the Composite Document, Appendix I to the Composite Document and the accompanying Form of Acceptance. The Independent Shareholders are strongly advised to read the relevant sections in the Composite Document in full.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the terms of the Offer, we have considered the following principal factors and reasons:

1. Background information of the Group

The Company is an investment holding company and was incorporated in the Cayman Islands with limited liability on 22 November 1999 and its Shares have been listed on the GEM since 28 March 2000 under the stock code 8026.

The Group is principally engaged in the trading and distribution of medical, pharmaceutical and healthcare food products (the "**Pharmaceutical Business**"); design, research and development, wholesale and retail of jewelry (the "**Jewelry Business**"); and provision of money lending services (the "**Lending Business**").

2. Financial information of the Group

A. Financial performance of the Group

Set forth below are (i) the audited consolidated financial results of the Group for the two financial years ended 31 March 2016 and 31 March 2017 ("**FY2016**" and "**FY2017**", respectively) as extracted from the 2016/17 Annual Report and (ii) the unaudited consolidated financial results of the Group for the six months ended 30 September 2016 and 30 September 2017 ("**IH2016/17**" and "**IH2017/18**", respectively) as extracted from the 2017/18 Interim Report:

	FY2016 *HK$'000* (audited)	**FY2017** *HK$'000* (audited)	**IH2016/17** *HK$'000* (unaudited)	**IH2017/18** *HK$'000* (unaudited)
Continuing operations				
Revenue	10,050	30,255	8,215	23,721
— *Jewelry Business*	*4,911*	*21,215*	*2,837*	*15,829*
— *Pharmaceutical Business*	—	*4,896*	*3,635*	*6,318*
— *Lending Business*	*78*	*4,144*	*1,743*	*1,574*
— *Wireless value-added services (Note 2)*	*5,061*	—	—	—
Gross Profit	5,409	6,565	2,858	3,864
Net loss on de-consolidation of subsidiaries	(10,555)	—	—	—
Loss before tax	(31,351)	(23,657)	(8,254)	(7,946)
Discontinued operation				
Profit/(Loss) for the period from discontinued operations *(Note 1)*	—	—	(1,002)	41,770
Profit/(Loss) for the year/ period attributable to owners of the Company	(31,359)	(23,657)	(9,289)	33,835
	HK cents	*HK cents*	*HK cents*	*HK cents*
Loss per Share (basic) *(Note 3)*	(3.52)	(2.09)	(0.80)	(0.70)

Notes

1. Discontinued operation represents the wireless value-added services operation (the "**WVAS Business**") which was disposed of by the Group in June 2017. Financial performance of the segment for 1H2016/17 and 1H2017/18 has been reported as a separate line item in the 2017/18 Interim Report.

2. As disclosed in the 2015/16 Annual Report, due to the fact that the Company has been unable to access the complete set of books and records of certain subsidiaries which were engaging in the WVAS Business, the Board considered that the Company has lost the control over these subsidiaries and hence the Group had de-consolidated the financial results, assets and liabilities of these subsidiaries from the consolidated financial statements of the Group since 1 January 2016 (the "**Deconsolidation of Subsidiaries**"). The WVAS Business was subsequently disposed of by the Company on 5 June 2017. Details of the disposal is disclosed in the Company's announcement dated 2 June 2017.

3. Figures represent loss per Share from continuing operations.

(i) FY2016

In FY2016, the revenue of the Group increased slightly by approximately HK$0.3 million or 3.1%, from approximately HK$9.8 million in the year ended 31 March 2015 ("**FY2015**") to approximately HK$10.1 million in FY2016. As stated in the 2015/16 Annual Report, revenue from the WVAS Business has showed a downtrend due to the expiry of the Group's contracts with telecommunication operators in the PRC, while the introduction of the Jewelry Business during FY2016 has compensated the reduction of revenue from the WVAS Business. Gross profit of the Group decreased from approximately HK$6.6 million to HK$5.4 million and gross profit margin decreased from approximately 67.3% in FY2015 to 53.5% in FY2016, as the Jewelry Business has a lower gross profit margin.

During the year, the loss attributable to the owners of the Company increased slightly from approximately HK$29.7 million in FY2015 to HK$31.4 million in FY2016. Such increase was mainly due to net loss on Deconsolidation of Subsidiaries amounted to approximately HK$10.6 million (FY2015: nil) which was partly off-set by the decrease in administrative expenses from approximately HK$31.4 million in FY2015 to HK$23.1 million in FY2016 as a result of decrease in the directors' remuneration and research and development costs. Loss per Share was HK3.52 cents (FY2015: HK3.87 cents).

(ii) FY2017

In FY2017, the Group recorded revenue of approximately HK$30.3 million, representing a substantial increase of approximately HK$20.2 million or 200.0% as compared to that in FY2016. Such increase was mainly due to (i) the increase in revenue from the Jewelry Business as a result of the full year effect of financial result in FY2017 since the Jewelry Business was introduced to the Group in the second half of FY2016; (ii) the introduction of the Pharmaceutical Business during the year which contributed revenue of approximately HK$4.9 million; and (iii) the increase in revenue from the Lending Business as a result of higher interest income derived from loans granted during the year and the full year effect of interest from loans granted near the end of FY2016. Gross profit increase from approximately HK$5.4 million to HK$6.6 million. Despite of the increase in revenue and gross profit amount, gross profit margin of the Group has further decreased from approximately 53.5% in FY2016 to 21.8% in FY2017 as the Jewelry Business and the Pharmaceutical Business have a lower gross profit margin as compared to the WVAS Business.

The loss attributable to the owners of the Company decreased from approximately HK$31.4 million in FY2016 to approximately HK$23.7 million in FY2017. Such improvement was mainly due to the increase in revenue as mentioned above and the absence of net loss on Deconsolidation of Subsidiaries (FY2016: approximately HK$10.6 million). Loss per Share was HK2.09 cents (FY2016: HK3.52 cents).

(iii) 1H2017/18

In IH2017/18, the Group recorded revenue of approximately HK$23.7 million, representing an increase of approximately HK$15.5 million or 189.0% as compared to that in IH2016/17. Such increase was mainly due to the increase in revenue from the Jewelry Business as a result of commencement of gold jewelry wholesale business during the period and the increase in revenue from the Pharmaceutical Business as a result of continuing business development in western Guangdong during the period.

In IH2017/18, the Group recorded profit attributable to owners of the Company of approximately HK$33.8 million, as comparable to loss attributable to owners of the Company of approximately HK$9.3 million in 1H2016/17. Such turnaround effect was mainly due to one-off gain on disposal of the WVAS Business of approximately HK$41.8 million. Loss per Share from continuing operations for IH2017/18 decreased from approximately HK0.80 cents in IH2016/17 to HK0.70 cents in IH2017/18. For illustrative purpose, set aside the effect of one-off gain on disposal, the Group would record a loss for the period of approximately HK$9.3 million for 1H2017/18.

B. Financial positions of the Group

Set out below are consolidated financial positions of the Group as at 31 March 2016, 31 March 2017 and 30 September 2017 as extracted from the 2016/17 Annual report and the 2017/18 Interim Report respectively:

	As at 31 March		**As at 30 September**
	2016	**2017**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(unaudited)
Non-current assets	28,200	35,026	34,478
Current assets	75,019	68,707	64,037
Non-current liabilities	181	169	—
Current liabilities	32,084	28,873	3,049
Net current assets	42,935	39,834	60,988
Equity attributable to owners of the Company	70,954	74,726	95,466

(i) As at 31 March 2016

As at 31 March 2016, the Group's non-current assets mainly comprised available-for-sale financial assets of approximately HK$22.2 million, goodwill of approximately HK$3.9 million and property, plant and equipment of approximately HK$2.1 million. The Group's current assets mainly comprised cash and cash equivalents of approximately HK$28.8 million, trade receivables of approximately HK$26.9 million, inventories of approximately HK$15.3 million and prepayments, deposits and other receivables of approximately HK$4.1 million. Included in the Group's current liabilities are mainly amount due to de-consolidated subsidiaries of approximately HK$15.3 million, other payables and accruals of approximately HK$8.3 million, amount due to a former non-executive director of approximately HK$5.4 million and trade payables of approximately HK$2.7 million.

As at 31 March 2016, the Group's net current assets amounted to approximately HK$42.9 million, representing an increase of approximately HK$61.0 million compared to the Group's net current liabilities of approximately HK$18.1 million as at 31 March 2015. The increase in net current assets was mainly attributable to the combined effect of (i) proceeds from issue of Shares under placing during FY2016 of approximately HK$105.7 million; being partially offset by (ii) acquisition of available-for-sale financial assets of HK$15.0 million; (iii) increase in amount due to de-consolidated subsidiaries of approximately HK$15.3 million as a result of losing control over certain subsidiaries; and (iv) payments for acquiring subsidiaries of approximately HK$6.7 million.

Based on 1,095,360,500 issued Shares as at 31 March 2016, the net asset value per Share as at 31 March 2016 amounted to approximately HK$0.065 whereas the Group recorded net liabilities of approximately HK$10.9 million as at 31 March 2015.

(ii) As at 31 March 2017

As at 31 March 2017, the Group's non-current assets mainly comprised available-for-sale financial assets of approximately HK$16.6 million, property, plant and equipment of approximately HK$5.8 million, investment property of approximately HK$4.4 million and goodwill of approximately HK$5.1 million. The Group's current assets mainly comprised trade receivables of approximately HK$37.2 million, inventories of approximately HK$14.9 million, cash and cash equivalents of approximately HK$8.7 million and prepayments, deposits and other receivables of approximately HK$6.3 million. Included in the Group's current liabilities mainly represented due to de-consolidated subsidiaries of approximately HK$18.3 million, other payables and accruals of approximately HK$5.9 million and trade payables of approximately HK$3.9 million.

The increase in non-current assets from approximately HK$28.2 million as at 31 March 2016 to approximately HK$35.0 million as at 31 March 2017 was mainly due to (i) the increase in property, plant and equipment of approximately HK$3.7 million due to acquisition of subsidiaries which are principally engaging in trading of pharmaceutical products and trading of jewelry products during the year; (ii) the acquisition of a property holding subsidiary which holds an investment property of approximately HK$4.4 million during the year; (iii) increase in goodwill of approximately HK$1.2 million as a result of acquisition of subsidiaries which are principally engaged in trading of pharmaceutical products, trading of jewelry products and investment holding during the year; and (iv) increase in interest in an associate of approximately HK$2.1 million due to acquisition of an associate which is principally engaged in investment in gold industry during the year, which was partially offset by decrease in fair value of available-for-sale financial assets of approximately HK$5.6 million.

As at 31 March 2017, the Group's net current assets amounted to approximately HK$39.8 million (As at 31 March 2016: approximately HK$42.9 million). The decrease in balance was mainly attributable to the combined effect of (i) the increase in trade receivables of approximately HK$10.3 million; (ii) decrease in due to a former non-executive director of approximately HK$2.4 million; and (iii) the decrease in cash and cash equivalents of approximately HK$20.1 million.

The Group's equity attributable to owners of the Company increased by approximately 5.2% from approximately HK$71.0 million as at 31 March 2016 to approximately HK$74.7 million as at 31 March 2017.

Based on 1,208,263,725 issued Shares as at 31 March 2017, the net asset value per Share as at 31 March 2017 amounted to approximately HK$0.062, representing a decrease of approximately 4.6% from the net asset value per Share of approximately HK$0.065 as at 31 March 2016 (based on 1,095,360,500 issued Shares as at 31 March 2016).

(iii) As at 30 September 2017

As at 30 September 2017, the Group's non-current assets mainly comprised available-for-sale financial assets of approximately HK$15.0 million, investment property of approximately HK$9.0 million; goodwill of approximately HK$5.1 million and property, plant and equipment of approximately HK$3.6 million. The Group's current assets mainly comprised trade receivables of approximately HK$43.0 million, inventories of approximately HK$10.6 million, cash and cash equivalents of approximately HK$6.8 million and prepayments, deposits and other receivables of approximately HK$3.5 million. Included in the Group's current liabilities mainly represented other payables and accruals of approximately HK$2.2 million and trade payables of approximately HK$0.9 million.

The decrease in non-current assets from approximately HK$35.0 million as at 31 March 2017 to approximately HK$34.5 million as at 30 September 2017 which was mainly due to (i) decrease in available-for-sale financial assets from approximately HK$16.6 million as at 31 March 2017 to approximately HK$15.0 million as at 30 September 2017 as a result of the fair value changes; and (ii) decrease in property plant and equipment from approximately HK$5.8 million as at 31 March 2017 to approximately HK$3.6 million as at 30 September 2017 due to depreciation charged during the period. The effect was being partially offset by increase in investment property from approximately HK$4.4 as at 31 March 2017 to approximately HK$9.0 million due to payments to investment property under construction.

As at 30 September 2017, the Group's net current assets amounted to approximately HK$61.0 million (As at 31 March 2017: approximately HK$39.8 million). The increase in balance was mainly attributable to the combined effect of (i) the decrease in due to de-consolidated subsidiaries from HK$18.3 million as at 31 March 2017 to nil as at 30 September 2017 as a result of disposal of the then subsidiaries; and (ii) the decrease in due to other payables and accruals of HK$3.7 million. The disposal of the WVAS Business which included the de-consolidated subsidiaries was completed on 5 June 2017. Please refer to the Company's announcement dated 2 June 2017 for details.

The Group's equity attributable to owners of the Company increased by approximately 27.8% from approximately HK$74.7 million as at 31 March 2017 to approximately HK$95.5 million as at 30 September 2017.

Based on 1,210,963,725 issued Shares as at 30 September 2017, the net asset value per Share as at 30 September 2017 amounted to approximately HK$0.079, representing an increase of approximately 27.42% from the net asset value per Share of approximately HK$0.062 as at 31 March 2017 (based on 1,208,263,725 issued Shares as at 31 March 2017).

Analysis

We note that the Group's revenue has been growing in its latest financial period/year (i.e. FY2017 and 1H2017/18) as a result of the introduction of the Jewelry Business and the Pharmaceutical Business, however, having considered that (i) gross profit margin of the Group has further decreased in FY2017 as compared to FY2016 despite the increase in revenue and gross profit amount, since the Jewelry Business and the Pharmaceutical Business have a lower gross profit margin as compared to the WVAS Business; (ii) the Jewelry Business and the Pharmaceutical Business were newly acquired during FY2016 and FY2017 respectively, the short historical record of the financial performance of both segments may not exhibit a good benchmark for its future performance; and (iii) the improvement of the Group's net asset value as at 30 September 2017 compared to 31 March 2017 was mainly due to the one-off financial impact in relation to the disposal of WVAS Business, we consider that the Group's growth momentum remains uncertain.

C. Prospect and outlook of the Group

We note from the 2016/17 Annual Report and the 2017/18 Interim Report that the Group's revenue was mainly contributed by the Jewelry Business and the Pharmaceutical Business, as evidenced by their aggregate revenue contribution in recent year/period (i.e. approximately 86.3% and 93.4% of the Group's revenue for FY2017 and 1H2017/18 respectively). Approximately 70.12% and 66.73% of the Group's revenue was contributed by the Jewelry Business in FY2017 and 1H2017/18 whereas approximately 16.18% and 26.63% was contributed by the Pharmaceutical Business in FY2017 and 1H2017/18 respectively.

Jewelry Business

As disclosed in the 2017/18 Interim Report, the Jewelry Business comprised (i) the retailing business, which was conducted mainly through an offline store located in Shenzhen, the PRC (being a franchised store of the Luk Fook Jewelry brand); and (ii) the wholesale business, which was mainly conducted through a wholly-owned subsidiary of the Company, where the wholesale products were mainly gold jewelries. In order to get a better grasp of the jewelry market, we have conducted our own desktop research.

With reference to the research analysis regarding "China's Jewelry Market" from the Hong Kong Trade Development Council published in October 2017, as a result of the economic slowdown in China over recent years, the market demand for jewelry has declined.

Moreover, we note that the Group's jewelry retail business is under a franchising arrangement with its franchiser, Luk Fook Jewelry, whereby the Group is required to select goods from the suppliers designated by Luk Fook Jewelry. Hence, such arrangement may restrict the Group's ability to introduce changes to the business (for instance, limitations may be imposed on the design, pricing and marketing strategies of the products) to respond to the market or make the business grow.

In addition, as disclosed in the 1H2017/18 Interim Report, relatively low gross margin of wholesale of jewelry and the high level of selling and administrative expenses for maintaining and development of the Jewelry Business resulted in loss in the segment. The Group intends to put more efforts to raise the sales proportion to its major high-end corporate customers (which principally purchase or customise jewelry as corporate gifts/awards) so as to increase the jewelry sales as well as generate profits. However, as discussed with the management, the Company is still finalising the marketing and pricing strategy and no concrete plan has in place as at the Latest Practicable Date. As a result, we consider that the possible impact to the segment result may not be reflected in short-run.

Having taken into account (i) the persistent macroeconomic uncertainties resulting in weak market conditions and decreasing customer demand in jewelry products; (ii) the Group's Jewelry Business does not has its own brand and manufacturing factory, and the supply of the Group's jewelry is heavily dependent on its franchiser; and (iii) the short historical record of the financial performance of the Jewelry Business may not exhibit a good benchmark for its future performance and the Group's growth momentum remain uncertain, we consider that the Jewelry Business's prospects and outlook would be subject to uncertainties in the near future.

Pharmaceutical Business

As disclosed in the 2017/18 Interim Report, the Pharmaceutical Business is mainly related to the distribution of pharmaceuticals and pharmaceutical consumables to hospitals in western Guangdong and healthcare products to pharmaceutical companies and chain pharmacies.

With reference to the "Statistical Analysis Report on the Operation of the Pharmaceutical Distribution Industry in 2016" (the "**Report**") issued by the Ministry of Commerce in June 2017, the Report pointed out that due to the implementation of "Healthy China" strategy and the propelling of "13th Five Year Plan" in-depth reform on pharmaceutical and healthcare system (the "**Reform**"), the development of the pharmaceutical distribution industry is standing on a new starting point, of which (i) sales growth of pharmaceutical wholesale enterprises slowed down; and (ii) slight increase of concentration in the industry was noted. We believe that the relevant implementation of various reform initiatives especially the hospital reforms and price cut for drug to reduce and simplify the chain and layers of drug circulation may bring uncertainties to the Pharmaceutical Business.

As disclosed in the 2017/18 Interim Report, it is noted that revenue from the Pharmaceutical Business increased from approximately HK$3.6 million in 1H2016/17 to HK$6.3 million in 1H2017/18. However, we note that the segment losses generated from the Pharmaceutical Business also increased from approximately HK$1.1 million in 1H2016/17 to HK$4.1 million in 1H2017/18. As advised by the management of the Group, the increase in segment losses was mainly attributable to the increase in costs incurred for expanding its distribution network with hospitals and pharmacies stores in the PRC since the Pharmaceutical Business was acquired by the Group in 2016, the Group intends to devote additional investments for further developing its sales and distribution network in the PRC.

Having considered (i) the Reform may bring along further uncertainties to the Group's Pharmaceutical Business; (ii) the Pharmaceutical Business was acquired by the Group in 2016, additional investments are expected to be involved for developing its sales and distribution network in the PRC; and (iii) the short historical record of the financial performance of the Pharmaceutical Business may not exhibit a good benchmark for its future performance and the Group's growth momentum remain uncertain, we consider that the Pharmaceutical Business's prospects and outlook would be subject to uncertainties.

3. Principal terms of the Offer

The Offer Price of HK$0.28 per Offer Share represents:

(i) a discount of approximately 31.71% to the closing price of HK$0.41 per Share as quoted on the Stock Exchange on 28 November 2017, being the Last Trading Date and the commencement date of the Offer;

(ii) a discount of approximately 25.73% to the average of closing price of HK$0.377 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Date;

(iii) a discount of approximately 21.68% to the closing price of HK$0.3575 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Date;

(iv) a discount of approximately 15.15% to the closing price of HK$0.33 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Date;

(v) a discount of approximately 5.08% to the closing price of HK$0.295 per Share as quoted on the Stock Exchange as at the Latest Practicable Date;

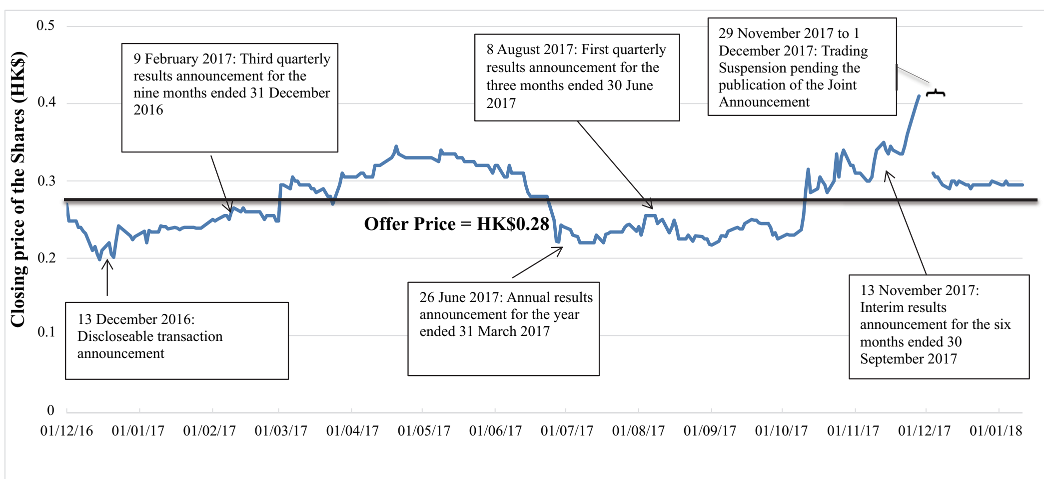
(vi) a premium of approximately 352% over the audited consolidated net asset value attributable to the Shareholders per Share of approximately HK$0.062 per Share as at 31 March 2017, the date on which the latest audited financial results of the Group were made up (based on the Group's audited consolidated net asset value attributable to the Shareholders of approximately HK$74,726,000 as at 31 March 2017 and 1,208,263,725 Shares in issue as at 31 March 2017); and

(vii) a premium of approximately 254% over the unaudited consolidated net asset value attributable to the Shareholders per Share of approximately HK$0.079 per Share as at 30 September 2017, the date on which the latest unaudited financial results of the Group were made up (based on the Group's unaudited consolidated net asset value attributable to the Shareholders of approximately HK$95,466,000 as at 30 September 2017 and 1,210,963,725 Shares in issue as at 30 September 2017).

A. Historical price performance of the Shares

In order to assess the fairness and reasonableness of the Offer Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 1 December 2016, being approximately twelve-month period preceding the commencement of the Offer Period, up to and including the Latest Practicable Date (the "**Review Period**"), as illustrated in the chart below. We consider that the Review Period, covering a full year prior to the Offer Period, (i) is appropriate for reviewing the recent financial position of the Group which covers the issuance of the announcements relating to 2016/17 third quarterly results, 2016/17 annual results, 2017/18 first quarterly results and 2017/18 interim results; (ii) represents a reasonable period to provide a general overview of the recent price performance of the Shares for conducting an analysis against the Offer Price; and (iii) is a common market practice.

Chart 1: Share price performance during the Review Period



Source: The website of the Stock Exchange (www.hkex.com.hk)

As shown in Chart 1 above, the closing price of the Shares ranged from HK$0.198 recorded on 15 December 2016 to HK$0.410 recorded on 28 November 2017 during the period from 1 December 2016 to 28 November 2017, being the Last Trading Day (both dates inclusive, the "**Pre-Announcement Period**"), with an average of approximately HK$0.272 per Share, which is below the Offer Price.

From December 2016 to mid-June 2017, there was a rise in the closing price of the Shares. The closing price of the Shares dropped substantially from HK$0.31 on 13 June 2017 to HK$0.217 on 1 September 2017. Thereafter, the closing price of the Shares formed a general upward trend up to the Last Trading Day. As advised by the Directors, they are not aware of any specific reason for the aforesaid price drop and general upward trend in the closing price of the Shares.

On 28 November 2017, the closing price of the Shares reached the highest level at HK$0.410 during the Review Period. Subsequently, trading in the Shares was suspended, at the request of the Company, from 29 November 2017 to 1 December 2017 (both days inclusive), pending the release of an announcement regarding inside information pursuant to the Takeovers Code. Following the release of the Joint Announcement on 1 December 2017 and the resumption of trading in the Shares on 4 December 2017, the closing price of the Shares dropped substantially to HK$0.310, and further down to HK$0.295 as at the Latest Practicable Date. During the period from 4 December 2017 up to the Latest Practicable Date (both dates inclusive, the "**Post Announcement Period**"), the closing price of the Shares ranged from HK$0.290 on 11 December and 20 December 2017 to HK$0.310 recorded on 4 December 2017, with an average of HK$0.297 per Share, which is slightly above the Offer Price.

During the overall Review Period, the closing price of the Shares ranged from HK$0.198 on 15 December 2016 to HK$0.410 on 28 November 2017, with an average of HK$0.275 per Share. Having considered that (i) the Offer Price is higher than the average of the closing prices of the Share throughout the Review Period; and (ii) the high price level of the Shares in November 2017 could not sustain following the release of the Joint Announcement, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

B. Historical trading volume of the Shares

The following table sets out the historical monthly trading volume of the Shares and the percentage of the number of Shares traded compared to the total number of the Shares in issue during the Review Period:

Month/period	Total trading volume *(No. of Shares)*	No. of trading days	Average daily trading volume *(No. of Shares)*	Percentage of the average daily trading volume to the total number of Shares in issue *(Note 1)*	Percentage of the average daily trading volume to the total number of Shares in issue (excluding the Vendors' shareholding) *(Note 2)*
2016					
December	10,749,000	20	537,450	0.04%	0.15%
2017					
January	582,000	19	30,632	0.01%	0.01%
February	8,054,000	20	402,700	0.03%	0.11%
March	19,163,000	23	833,174	0.07%	0.23%
April	12,688,000	17	746,353	0.06%	0.20%
May	9,472,000	20	473,600	0.04%	0.13%
June	8,821,000	22	400,955	0.03%	0.11%
July	4,579,000	21	218,048	0.02%	0.06%
August	6,408,000	22	291,273	0.02%	0.08%
September	9,459,000	21	450,429	0.04%	0.11%
October	55,655,000	20	2,782,750	0.23%	0.66%
November *(Note 3)*	93,272,000	20	4,663,600	0.39%	0.52%
December *(Note 3)*	55,155,000	18	3,064,167	0.25%	0.34%
2018					
January (up to the Latest Practicable Date)	12,943,000	8	1,617,875	0.13%	0.18%

Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. The calculation is based on the average daily trading volume of the Shares divided by the total issued share capital of the Company as at the end of respective month during the Review Period.

2. The calculation is based on the average daily trading volume of the Shares divided by the total issued share capital of the Company excluding the Vendor's shareholding according to the disclosure of interests notices filed pursuant to part XV of the SFO as at the end of respective month during the Review Period.

3. Trading in the Shares was suspended from 29 November 2017 to 1 December 2017 (both days inclusive).

As illustrated in the table above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 30,632 Shares (January 2017) to 4,663,600 Shares (November 2017), representing approximately 0.01% to approximately 0.39% of the total number of the Shares in issue as at the end of each month.

The average daily trading volume for the respective month/period during the Review Period ranged from approximately 0.01% (January 2017) to approximately 0.66% (October 2017) of the total number of the Shares in issue excluding the Vendors' shareholding as at the end of each month.

We note that the trading liquidity of the Shares was generally thin given that (i) the average daily trading volume of the Shares during the Review Period (except for October, November, December 2017 and January 2018) represents less than 0.1% to the total number of the Shares in issue as at the end of respective month; and (ii) the average daily trading volume of the Shares excluding the Vendors' shareholding during the Review Period (except for October, November and December 2017) represents less than 0.3% to the total number of the Shares in issue as at the end of respective month.

As advised by the Directors, the Directors were not aware of any specific event that might cause the relatively high trading volume of the Shares in October, November, December 2017 and January 2018. We note that the interim results announcement of the Group for the period ended 30 September 2017 was issued on 13 November 2017 and the trading volume of the Shares reached the highest level in November 2017.

The Joint Announcement was announced on 1 December 2017 and the average daily trading volume during the Post-Announcement Period represents approximately 0.39% of the total number of the Shares in issue as at the Latest Practicable Date.

In view of the above, we consider that the average daily trading volume of the Shares has been thin in general during the Review Period and the Independent Shareholders may find it difficult to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of Shares. Hence, the Offer provides a viable alternative exit to Shareholders to realise their investment in the Shares.

Independent Shareholders should be mindful as to whether there will be sufficient liquidity in the Shares for those who wish to realise part or all of their investment in the Company at the prevailing market price of the Shares and whether their disposal of Shares will exert a downward pressure on the market prices of the Shares. They are therefore strongly advised to carefully and closely monitor the market price and liquidity of the Shares during the Offer Period if they wish to dispose of part or all of their Shares.

C. Comparable analysis

Based on the 2017 Annual Report and 2017/18 Interim Report, it is noted that approximately 86.3% and 93.4% of the Group's revenue was contributed by the Pharmaceutical Business segment and the Jewelry Business segment in aggregate, we have excluded comparable companies which are principally engaged in money lending business since we consider Pharmaceutical Business segment and the Jewelry Business segment accounted for the majority of the Group's revenue.

In assessing the fairness and reasonableness of the Offer, we have attempted to carry out comparable analysis to compare the Offer Price against the market valuation using the commonly adopted valuation method including price-to-sales ratios and price-to-book ratios of other comparable companies which (i) listed on the Stock Exchange; (ii) principally engaged in both the Jewelry Business and the Pharmaceutical Business; and (iii) with the majority of turnover derived from such principal activities in the latest financial year. Based on the above criteria, we have only identified one comparable company, being Larry Jewelry International Co. Ltd (stock code: 8351).

However, we note that the market capitalisation of Larry Jewelry International Co. Ltd (i.e. approximately HK$1,621.63 million as at the Latest Practicable Date) is significantly higher than that of the Company (i.e. approximately HK$357.23 million as at the Latest Practicable Date) and in view of the limited sample size and unique business mix of the Group, we consider that the comparable analysis may not provide a meaningful benchmark in assessing the fairness and reasonableness of the Offer.

4. Information on the Offeror and the Offeror's intention in relation to the Group

Information on the Offeror

As stated in the "Letter from Eternal Pearl", the Offeror, Brilliant Chapter Limited, is a company incorporated in the Republic of Seychelles, with limited liability. The Offeror is an investment holding company and has not conducted any business since its incorporation. The issued share capital of the Offeror is beneficially owned as to 80% by Mr. Zhang and as to 20% by Source Mega Limited, a company incorporated in the Republic of Seychelles (as a nominee of Ms. Zhang). The directors of the Offeror are Mr. Zhang and Ms. Zhang and the sole director of Source Mega Limited is Ms. Zhang. Mr. Zhang is the brother of Ms. Zhang.

The entire issued share capital of Source Mega Limited is wholly and beneficially owned by Ms. Zhang.

Mr. Zhang, aged 45, founded a trading company in Shenzhen and it evolved to become a global supply chain management corporation which Mr. Zhang is currently the chairman. Mr. Zhang is responsible for the overall strategic development of the corporation which is one of the top 100 enterprises in Shenzhen, the PRC in 2016 and 2017 and a pioneer of supply chain management in the PRC. Mr. Zhang has over 12 years of experience in supply chain management in the PRC. Mr. Zhang was the vice chairman of 深圳市工商業聯合會第七屆執委會 (for transliteration purpose only, Shenzhen Federation of Industry and Commerce, the 7th Executive Committee) and 深圳市總商會第七屆理事會 (for transliteration purpose only, Shenzhen General Chamber of Commerce, the 7th Council).

Ms. Zhang, aged 40, has over 10 years of experience in financial management in the PRC and she is the financial director of the global supply chain management corporation Mr. Zhang founded since 2007. Ms. Zhang is responsible for overseeing the financial operation of the corporation and liaising with various bankers of the corporation for banking facilities and other services.

Offeror's intention regarding the business assets and employees of the Group

Following the close of the Offer, the Offeror intends to continue the existing principal businesses of the Group. The Offeror will conduct a review on the financial position and the operations of the Company and will formulate long-term business plans and strategies of the Company, explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Company. Should such corporate actions materialise, further announcement(s) will be made in accordance with the GEM Listing Rules. The Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Company other than those in its ordinary and usual course of business.

Offeror's intention regarding the Board composition

As at the Latest Practicable Date, the Board is made up of seven Directors, comprising three executive Directors, being the Guarantor, Mr. Han Jun and Mr. Shi Liangsheng, one non-executive Director, being Mr. Chen Weixi and three independent non-executive Directors, being Mr. Poon Yan Wai, Mr. Xu Xiaoping and Mr. Lam Kwok Cheong. Under the Sales and Purchase Agreement, all Directors (other than the Guarantor who shall be re-designated as a non-executive Director) shall resign as directors of the Company which shall take effect on the earliest date permitted under the Takeovers Code.

The Offeror intends to nominate Mr. Zhang and Ms. Zhang as the executive Directors. The Offeror is in the course of identifying additional candidates for the Board subject to compliance with the Takeovers Code and the Listing Rules. The appointment of Director(s) nominated by the Offeror will not take effect earlier than the date of posting of the Composite Document in compliance with Rule 26.4 of the Takeovers Code.

Further announcement will be published by the Company in respect of the changes to the Board pursuant to the Takeovers Code and the GEM Listing Rules as and when appropriate.

The detailed information of Mr. Zhang and Ms. Zhang is stated under section headed "Information on the Offeror" herein.

Analysis

Based on the above information, having considered (i) Mr. Zhang and Ms. Zhang do not have direct experience in current principal businesses of the Company (i.e. the Pharmaceutical Business, the Jewelry Business and the Lending Business); (ii) the Offeror has not laid down detailed business plan as at the Latest Practicable Date; and (iii) all Directors (other than the Guarantor who shall be re-designated as a non-executive Director) will resign as directors of the Company, there are uncertainties in the future business development strategy of the Group.

5. Public float and maintaining the listing status of the Company

The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares.

As stated in the "Letter from Eternal Pearl", the Offeror intends that the Company will remain listed on the GEM. The directors of the Offeror and the new directors to be appointed to the Board have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

In this connection, in the event that the public float falls below 25% at the close of the Offer, the Offeror will, as soon as practicable, dispose of such number of Shares either directly in the market or through a placing agent to be appointed by the Offeror to ensure that the public float requirement under the GEM Listing Rules can be met.

OPINION AND RECOMMENDATION

We noted that the Group's revenue has been growing in its latest financial period/year as a result of the development of the Jewelry Business and the Pharmaceutical Business, however, as the Jewelry Business and the Pharmaceutical Business were newly acquired during FY2016 and FY2017 respectively, the short historical record of the financial performance of both segments may not exhibit a good benchmark for its future performance and the Group's growth momentum remain uncertain. We consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned, after taking into consideration the principal factors discussed above and, in particular,

(i) the financial results of the Group have recorded losses over the past two financial years. Setting aside the one-off gain from disposal of subsidiaries recorded in 1H2017/18, the Group would be also loss-making during the period;

(ii) there are uncertainties in the future prospects of the Group's Jewelry Business and Pharmaceutical Business;

(iii) the average daily trading volume of the Shares has been thin in general during the Review Period and the Independent Shareholders may find it difficult to dispose of a significant number of Shares in the open market without causing an adverse impact on the market price level of Shares. Hence, the Offer provides a viable alternative exit to Shareholders to realise their investment in the Shares; and

(iv) the Offer Price represents a premium of approximately 2.54 times over the audited net asset value of the Company per Share as at 30 September 2017 respectively and higher to the average closing price of HK$0.275 per Share during the overall Review Period.

After taking into consideration of the principal factors above, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. We advise the Independent Board Committee to recommend the Independent Shareholders to accept the Offer.

Notwithstanding our recommendations, as different Shareholders would have different investment criteria, objectives, risk preference and tolerance level and/or circumstances, we would recommend any Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

The Independent Shareholders who wish to realise their investment in the Group are also reminded that they should carefully and closely monitor the market price of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, where possible, rather than accepting the Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Offer. In any event, the Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period.

Independent Shareholders should also read carefully the procedures for accepting the Offer set out in the Letter from Eternal Pearl and in Appendix I to the Composite Document and the accompanying Form of Acceptance.

Yours faithfully
For and on behalf of
INCU Corporate Finance Limited
Gina Leung
Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer. The instructions set out in this Composite Document should be read together with the instructions printed on the Form of Acceptance which form part of the terms of the Offer.

1. PROCEDURES FOR ACCEPTANCE

A. The Offer

(a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), to the Registrar marked "Prosten Health Holdings Limited — Offer" on the envelope as soon as possible but in any event so as to reach the Registrar by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in compliance with the Takeovers Code.

(b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your holding of Shares (whether in full or in part), you must either:

i. lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, and with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

ii. arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

iii. if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

iv. if your Shares have been lodged with your investor participant's account maintained with CCASS, give your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

(c) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will constitute an irrevocable authority to the Offeror, Eternal Pearl and/or Odysseus or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on your behalf and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

(d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title, you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(e) Acceptance of the Offer will be treated as effective and valid only if the completed Form of Acceptance is received by the Registrar on or before the latest time for acceptance of the Offer and the Registrar has recorded that the acceptance and any relevant documents required by Note 1 to Rule 30.2 of the Takeovers Code have been so received, and is:

i. accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in favour of the acceptor executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

ii. from a registered Shareholder or his/her personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (e)); or

iii. certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Independent Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

(f) Seller's ad valorem stamp duty payable by the Independent Shareholders who accept the Offer and calculated at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the amount payable by the Offeror to the relevant Independent Shareholder on acceptance of the Offer. The Offeror will arrange for payment of the sellers' ad valorem stamp duty on behalf of the accepting Independent Shareholders and will pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Offer Shares.

(g) If the Offer is withdrawn or lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Independent Shareholder(s) at their own risk.

(h) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. ACCEPTANCE PERIOD AND REVISIONS

The latest time and date for acceptance will be 4:00 p.m. on the Closing Date, or if the Offer are extended, any subsequent closing date of the Offer that is extended will be announced by the Offeror in accordance with the Takeovers Code. The Offer is unconditional.

The Offer, if revised/extended, will be done as the Offeror may determine in accordance with the Takeovers Code (or permitted by the Executive in accordance with the Takeovers Code). The Offeror will issue an announcement in relation to any revision or extension of the Offer, which will state the next closing date or that the revised Offer will remain open until further notice and at least 14 days' notice in writing must be given to those Independent Shareholders who have not accepted the Offer before the Offer are closed and an announcement must be published. If the Offeror revises the terms of the Offer, all Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. If the Offer are extended or revised, the announcement of such extension or revision will state the revised Closing Date. If the Offer are revised, the Offer will remain open for acceptance for a period of not less than 14 days from the posting of the revised Composite Document to the Shareholders. If the Closing Date of the Offer is extended, any reference in this Composite Document and in the Form(s) of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Offer so extended.

If there is (i) a tropical cyclone warning signal number 8 or above; or (ii) a "black" rainstorm warning signal: (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Closing Date, the latest time and date for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day; or (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Closing Date, the latest time and date for acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. or such other day as the Executive may approve.

3. ANNOUNCEMENTS

(a) By 6:00 p.m. (or such later time and/or date as the Executive may in exceptional circumstances permit) on the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension, expiry of the Offer. The Offeror must publish an announcement on the website of the Stock Exchange by 7:00 p.m. on the Closing Date stating, among others, information required under Rule 19.1 of the Takeovers Code, whether the Offer have been revised or extended, or have expired. The announcement will state the following:

i. the total number of Shares for which acceptances of the Offer have been received;

ii. the total number of Shares held, controlled or directed by the Offeror and parties acting in concert with any of them before the Offer Period; and

iii. the total number of Shares acquired or agreed to be acquired by the Offeror and parties acting in concert with any of them during the Offer Period.

The announcement will include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Offeror and any parties acting in concert with it have borrowed or lent, save for any borrowed securities which have been either on-lent or sold, and specify the percentages of the relevant classes of issued share capital of the Company and the percentages of voting rights of the Company represented by these number of Shares.

(b) In computing the total number of Shares represented by acceptances, only valid acceptances that are complete and in good order and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, and which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

(c) As required under the Takeovers Code, all announcements in respect of the Offer must be made in accordance with the requirements of the Takeovers Code and the Listing Rules respectively.

4. RIGHT OF WITHDRAWAL

(a) Acceptances of the Offer shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" above, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

If an acceptor withdraws his/her/its acceptance, the Offeror shall, as soon as possible but in any event within 10 days thereof, return, by ordinary post and at the risk of the relevant acceptor, the Share certificate(s) and/or transfer receipt(s) and/or other document(s) or title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Shareholder.

5. SETTLEMENT OF THE OFFER

Provided that a valid Form of Acceptance and the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) as required by Note 1 to Rule 30.2 of the Takeovers Code are complete and in good order in all respects and have been received by the Registrar before the close of the Offer, a cheque for the amount due to each of the Independent Shareholders who accept the Offer less seller's ad valorem stamp duty in respect of the Offer Shares tendered by him under the Offer will be despatched to such Independent Shareholder, or in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company, by ordinary post at his/her/its own risk as soon as possible but in any event within 7 Business Days after the receipt of all the relevant documents by the Registrar to render such acceptance complete and valid.

Settlement of the consideration to which any Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

6. OVERSEAS SHAREHOLDERS

As the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including but not limited to the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from such Shareholder in respect of such jurisdictions as a result of the acceptance of the Offer). Acceptance of the relevant Offer by such Shareholders will constitute a representation and warranty to the Offeror that legal and regulatory requirements of all relevant territories in connection with the acceptance of the Offer have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

7. TAX IMPLICATIONS

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Odysseus, Eternal Pearl, the Registrar and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

8. GENERAL

(a) All communications, notices, Form(s) of Acceptance, certificate(s), Share certificate(s), transfer receipt(s), other document(s) of title and/or any satisfactory indemnity or indemnities required in respect thereof and remittances to settle the consideration payable under the Offer will be delivered by or sent to or from the Independent Shareholders or their designated agents, by ordinary post at their own risk, and none of the Offeror, Eternal Pearl, Odysseus, the Registrar, or other parties involved in the Offer or any of their respective directors, officers, advisers, associates, agents accepts any liability for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.

(c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer are made will not invalidate the Offer in any way.

(d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of the Form of Acceptance by or on behalf of a Shareholder will constitute such Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offer.

(e) Due execution of the Form of Acceptance in accordance with Note 1 to Rule 30.2 of the Takeovers Code will constitute an authority to the Offeror, Eternal Pearl or such person or persons as the Offeror or Eternal Pearl may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as it may direct, the Shares respect of which such person or persons has/have accepted the Offer.

(f) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror, Eternal Pearl and Odysseus that the Shares tendered under the Offer are sold by such person or persons free from all encumbrances and together with all rights accruing or attaching to them as at the date of this Composite Document or subsequently being attached to them, including, without limitation, the rights to receive all future dividends and other distributions, declared, made or paid, if any, by the Company on or after the date of this Composite Document.

(g) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.

(h) If no number is inserted or a number inserted is greater or smaller than your registered holding of Share(s) or those physical Share(s) tendered for acceptance of the Offer and you have signed this form, this form will be returned to you for correction and resubmission. Any corrected form must be resubmitted and received by the Registrar on or before 4:00 p.m. on the Closing Date.

(i) Reference to the Offer in this Composite Document and in the Form of Acceptance shall include any extension or revision thereof.

(j) In making their decisions, Shareholders must rely on his/her/its/their own examination of the Offeror and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendations contained therein, and the Form of Acceptance are not to be construed as legal or business advice. Shareholders could consult with his/her/its/their own professional advisers for professional advice.

(k) If the Offer lapse for any reason, they shall cease to be capable of further acceptance and the Offeror and Eternal Pearl shall cease to be bound by any of the prior acceptances.

(l) The Offer is being made by the issue and despatch of this Composite Document on Friday, 12 January 2018.

(m) The Offer is made in accordance with the Takeovers Code.

(n) All acceptances, instructions, authorities and undertakings given by the Independent Shareholders in the Form of Acceptance shall be irrevocable except as permitted under the Takeovers Code.

(o) The English text of this Composite Document and of the Form of Acceptance shall prevail over their respective Chinese text for the purpose of translation.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the financial results of the Group for each of the three years ended 31 March 2017 and for the six months ended 30 September 2017 as extracted from the relevant annual and interim reports of the Company:

	For the six months ended 30 September 2017 (Unaudited) *HK$'000*	For the year ended 31 March 2017 (Audited) *HK$'000*	2016 (Audited) *HK$'000*	2015 (Audited) *HK$'000*
Revenue	23,721	30,255	10,050	9,763
Loss before taxation	(7,946)	(23,657)	(31,351)	(28,307)
Income tax expenses	—	(35)	(8)	(1,400)
Profit (Loss) for the period/year	33,824	(23,692)	(31,359)	(28,307)
Profit attributable to:				
Equity holders of the Company	33,835	(23,692)	(31,359)	(29,707)
Non-controlling interests	(11)	(35)	—	—
Dividend	—	—	—	—
Earnings/loss per Share (HK cents)				
Basic	2.8	(2.09)	(3.52)	(3.87)
Diluted	2.8	(2.09)	(3.52)	(3.87)
Dividend per Share (HK cents)	—	—	—	—

No qualified of opinion was given by the auditor of the Company, HLB Hodgson Impey Cheng Limited, in respect of the Group's audited consolidated financial statements for the year ended 31 March 2015. Disclaimer of opinion was given by the auditor of the Company, HLB Hodgson Impey Cheng Limited, in respect of the Group's audited consolidated financial statements for the years ended 31 March 2016 and 31 March 2017.

Extract of auditors' report for the year ended 31 March 2017

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.

Extract of auditors' report for the year ended 31 March 2016

Basis for disclaimer of opinion

De-consolidation of certain subsidiaries

Certain subsidiaries were deconsolidated (the "**De-Consolidated Subsidiaries**") from the consolidated financial statements for the year ended 31 March 2016 due to the loss of control since 1 January 2016 (the "**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.

As the Company was unable to provide complete books and records of the De-Consolidated Subsidiaries, we have not been able to obtain sufficient appropriate audit evidence and explanations to determine as to (i) whether an amount due to the De-Consolidated Subsidiaries 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 the 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.

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, the net loss on de-consolidation and the result of the De-Consolidated Subsidiaries for the 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.

Any adjustments or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of the Group as at 31 March 2016 and the financial performance and cash flows of the Group for the year then ended, and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant subsequent event related to the Group.

Disclaimer of opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as whether they give a true and fair view of the state of affairs of the Group as at 31 March 2016 and of the Group's financial performance and cash flows for the year ended in compliance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

For further details, please refer to the Company's annual reports for the years ended 31 March 2016 and 31 March 2017.

The Group had no exceptional items because of size, nature or incidence for each of the three years ended 31 March 2017 and for the six months ended 30 September 2017.

A. Audited Consolidated Financial Statements

The following is the full text of the audited consolidated financial statements of the Group for the year ended 31 March 2017 extracted from the annual report of the Company for the year ended 31 March 2017:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	9	30,255	10,050
Cost of sales		(23,690)	(4,641)
Gross profit		6,565	5,409
Other income and gains	9	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	23	646	—
Realised loss on financial assets at fair value through profit or loss	11	(30)	—
Unrealised loss on financial assets at fair value through profit or loss	11	(84)	—
Share of loss of an associate	21	(195)	—
Finance costs	10	(539)	(46)
Net loss on De-consolidation of subsidiaries	41	—	(10,555)
Loss before tax	11	(23,657)	(31,351)
Taxation	14	(35)	(8)
Loss for the year		(23,692)	(31,359)
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	19	(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)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

Year ended 31 March 2017

	Note	2017 *HK$'000*	2016 *HK$'000*
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	*15*		
Basic		(HK2.09) cents	(HK3.52) cents
Diluted		(HK2.09) cents	(HK3.52) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	5,799	2,067
Investment property	17	4,391	—
Long-term prepaid rentals	18	1,093	—
Available-for-sale financial assets	19	16,583	22,179
Goodwill	20	5,092	3,908
Interest in an associate	21	2,068	—
Prepayments, deposits and other receivables	25	—	46
Total non-current assets		35,026	28,200
CURRENT ASSETS			
Inventories	22	14,946	15,266
Biological assets	23	699	—
Current portion of long-term prepaid rentals	18	95	—
Trade receivables	24	37,186	26,862
Prepayments, deposits and other receivables	25	6,252	4,130
Tax recoverable		157	—
Financial assets at fair value through profit or loss	26	600	—
Due from related companies	27	34	—
Cash and cash equivalents	28	8,738	28,761
Total current assets		68,707	75,019
CURRENT LIABILITIES			
Trade payables	29	3,859	2,703
Other payables and accruals	30	5,882	8,336
Due to a then non-executive director	31	668	5,425
Due to an ultimate holding company	32	142	142
Due to de-consolidated subsidiaries	32	18,322	15,300
Tax payable		—	178
Total current liabilities		28,873	32,084

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NET CURRENT ASSETS		39,834	42,935
TOTAL ASSETS LESS CURRENT LIABILITIES		74,860	71,135
NON-CURRENT LIABILITIES			
Deferred tax liabilities	33	169	181
Convertible note	34	—	—
Total non-current liabilities		169	181
NET ASSETS		74,691	70,954
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	35	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										
	Notes	**Share capital** *HK$'000*	**Share premium account** *HK$'000*	**Statutory reserve fund** *HK$'000* *(note a)*	**Available-for-sale financial assets equity reserve** *HK$'000* *(note b)*	**Foreign currency translation reserve** *HK$'000* *(note c)*	**Share option reserve** *HK$'000*	**Convertible note equity reserve** *HK$'000* *(note d)*	**Accumulated losses** *HK$'000*	**Reserves sub-total** *HK$'000*	**Non-controlling interest** *HK$'000*	**Total equity** *HK$'000*
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	*34*	–	–	–	–	–	–	4,560	–	4,560	–	4,560
Deferred tax arising on issue of a convertible note	*33*	–	–	–	–	–	–	(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	*41*	–	–	–	–	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*
Year ended 31 March 2017

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(23,657)	(31,351)
Adjustments for:			
Finance costs	10	539	46
Bank interest income	9, 11	(5)	(64)
Investment income	9, 11	(6)	(152)
Gain on disposal of items of property, plant and equipment	9, 11	(12)	—
Written off of property, plant and equipment	11	44	—
Depreciation	11, 16	2,328	1,114
Amortisation of prepaid rentals		54	—
Change in fair value of biological asset	23	(646)	—
Realised loss on financial assets at fair value through profit or loss	11	30	—
Unrealised loss on financed assets at fair value through profit or loss	11	84	—
Equity-settled share option arrangements	11	—	106
Fair value gain on an investment property	9, 11, 17	—	(388)
Impairment allowances on trade receivables	11, 24	—	827
Written off of an available-for-sales financial assets	11	419	—
Share of loss of an associate	11, 21	195	—
Net loss on de-consolidation of subsidiaries	11, 41	—	10,555
		(20,633)	(19,307)
Increase in trade receivables		(10,391)	(23,677)
Increase in inventories		(658)	(14,264)
Decrease/(increase) in prepayments, deposits and other receivables		1,391	(2,783)
Increase in due from related companies		(34)	—
Increase in trade payables		1,370	24
(Decrease)/increase in other payables and accruals		(1,988)	704
Increase in due to an ultimate holding company		—	142
Increase in due to de-consolidated subsidiaries		3,022	—
(Decrease)/increase in due to a then non-executive director		(4,757)	3,425
Exchange realignment, net		299	641
Cash used in operations		(32,379)	(55,095)
Profits taxes paid in Hong Kong		(459)	—
Net cash outflow in operating activities		(32,838)	(55,095)

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*
Year ended 31 March 2017

	Notes	**2017** *HK$'000*	**2016** *HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Bank interest received	*9, 11*	5	64
Investment income received	*9, 11*	6	152
Purchases of items of property, plant and equipment	*16*	(475)	(395)
Proceeds from disposal of items of property, plant and equipment		60	—
Prepayment of long-term rentals	*18*	(1,282)	—
Purchases of available-for-sale financial assets	*19*	—	(15,000)
Payment for construction cost of investment property	*17*	(816)	—
Net cash outflow from acquisition of subsidiaries	*39*	(9,257)	(6,683)
Net cash outflow from acquisition of assets through acquisition of subsidiaries	*40*	(4,708)	—
Net cash outflow from acquisition of an associate		(2,256)	—
De-consolidation of subsidiaries	*41*	—	(1,773)
Proceeds from disposal of financial assets at fair value through profit or loss		383	—
Acquisition of financial assets at fair value through profit or loss		(1,117)	—
Net additional to biological asset	*23*	(76)	—
Exchange realignment, net		192	(19)
Net cash outflow from investing activities		(19,341)	(23,654)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of a convertible note		35,000	—
Proceed from exercise of share options		—	617
Proceed from issue of shares under placing		—	105,718
Repayment of secured borrowings		—	(623)
Interest paid	*10*	—	(46)
Net cash inflow from financing activities		35,000	105,666
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(17,179)	26,917
Cash and cash equivalent at beginning of year		28,761	1,778
Effect of foreign exchange rate changes, net		(2,844)	66
CASH AND CASH EQUIVALENTS AT END OF YEAR		8,738	28,761

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 March 2017

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.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

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 Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (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, biological assets and certain financial instruments which have been measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

3. BASIS OF PREPARATION *(Continued)*

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. The directors consider that it is more appropriate to present the consolidated financial statements in Hong Kong dollars as the shares of the Company are listed on the Stock Exchange.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

3. BASIS OF PREPARATION *(Continued)*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

3. BASIS OF PREPARATION *(Continued)*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

3. BASIS OF PREPARATION *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group losses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

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)	Transfer 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.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to included the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

5. HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE *(Continued)*

HKFRS 9 Financial Instruments *(Continued)*

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the application of HKFRS 9 in the future may have material impact on amounts reported and disclosures made in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until a detailed review has been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

5. HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE *(Continued)*

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocated the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" for the goods or services underlying the particular performance obligation is transferred to the customer.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
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6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's result to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Interest in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in an associate *(Continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Biological assets

Biological assets consist of longan and radix millettiae speciosae.

Longan and radix millettiae speciosae are stated at their fair values less costs to sell, where the fair values are based on the present value of expected net cash flows from the longan and radix millettiae speciosae discounted at a current market-determined pre-tax rate.

A gain or loss arising on initial recognition of biological assets at fair value less costs to sell and from a change in fair value less costs to sell is recognised in profit or loss in the period in which it arises.

Agricultural produce harvested from the biological assets is measured at its fair value less costs to sell at the point of harvest. The fair value of agricultural produce is based on market prices of agricultural produce of similar size and weight or alternative estimates of fair value.

Biological assets that are expected to be realised in the next harvest within the next twelve months are classified under current assets.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

The Group measures its completed property at fair value of investment property, available-for-sale financial assets, biological assets and financial assets at fair value through profit or loss at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, financial assets and investment property), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Property, plant and equipment and depreciation

Property, plant and equipment, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and building in Mainland China	2.5% or over the lease terms, whichever is shorter
Leasehold improvements	30% or over the lease terms, whichever is shorter
Office equipment	30%
Computer equipment	30% to 50%
Furniture and fixtures	20%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each financial period.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment property and investment properties under construction and development

Investment properties are properties held to earn rental income and/or for capital appreciation including properties under construction and development for such purpose and land held for a currently undermined future use. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair values of investment properties are included in profit or loss for the period in which they arise. However, if the fair values of investment properties under construction and development are not reliably determinable when construction/development is completed, it shall measure that investment properties under construction and development at cost, less any impartment loss, until either its fair value become reliably determinable or construction/development is completed (whichever is earlier).

Gains or losses arising from changes in the fair value of an investment property are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised to profit or loss in the year of the retirement or disposal.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis for homogenous items while it is determined on an actual unit cost basis for certain unique or specific items and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads, and where appropriate, subcontracting charges. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating lease are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or loss. The loss arising from impairment is recognised in profit or loss in other expenses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial assets equity reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in profit or loss and removed from the available-for-sale financial assets equity reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in profit or loss in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Available-for-sale financial assets (Continued)

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") comprise financial assets held for trading purpose and derivative financial instruments that are not designated as effective hedging instruments. At the end of each reporting period date subsequent to initial recognition, FVTPL are measured at fair value, with changes in fair value recognised directly in the consolidated statement of comprehensive income in the period in which they arise.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cashflows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Derecognition of financial assets *(Continued)*

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost *(Continued)*

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from the comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available of sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amount and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are no restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Convertible note

Convertible note that can be converted into equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible note is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible note equity reserve until either the note is converted or redeemed.

If the convertible note is converted, the convertible note equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible note is redeemed, the convertible note equity reserve is released directly to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Convertible note *(Continued)*

When the convertible note is extinguished before maturity through an early redemption or repurchase where the original conversion privileges are unchanged, the consideration paid and any transaction costs for the redemption or repurchase are allocated to the liability component and equity component using the same allocation basis as when the convertible note was originally issued. Once the allocation of consideration and transaction costs is made, any resulting gain or loss relating to the liability component is recognised in profit or loss and the amount of consideration relating to equity component is recognised in equity.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax asset and liability for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax asset is recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax asset is reassessed at the end of each reporting period and is recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax asset and deferred tax liability are offset if a legally enforceable right exists to set off current tax asset against current tax liability and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) services income, when the relevant services have been rendered;

(b) Sale of goods income, which is recognised when the goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(d) investment income, when the policyholders' right to receive payment has been established; and

(e) sundry income, on an accrual basis.

Employee benefits

Share-based payment transactions

The Company operates a share option scheme which is currently in force and effect for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial option pricing model, further details of which are given in note 36 to the consolidated financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not a market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options, if any, is reflected as additional share dilution in the computation of earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. Employees of the Group's subsidiaries in Mainland China are required to participate in the employee retirement scheme operated by the relevant local government bureau in Mainland China. The contributions to be borne by the Group are calculated at a certain percentage of the salaries and wages for those eligible employees.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is apart, provides key management personnel services to the Group or to the parent of the Group.

A related party transaction is a transfer of resources, services or obligations between a group and a related party, regardless of whether a price is charged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

7. SIGNIFICANT ESTIMATION UNCERTAINTIES AND ACCOUNTING JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair values of biological assets

Management estimates the fair values of biological assets less costs to sell at the end of the reporting period with reference to the recent market prices of the underlying agricultural produce or valuations from independent appraiser. Unexpected volatility in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value remeasurement changes in future accounting periods.

The Group's business is subject to the usual agricultural hazards from fire, wind, insects and other natural phenomena/occurrences. Forces of nature such as temperature and rainfall may also affect harvest efficiency. Management considers adequate measures are in place, in minimise negative impacts from natural disaster, if any. Nevertheless, unexpected factors affecting harvestable agricultural produce may result in re-measurement or changes in harvests in future accounting periods. Please refer to note 23 to the consolidated financial statements for the carrying value of the Group's biological assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

7. SIGNIFICANT ESTIMATION UNCERTAINTIES AND ACCOUNTING JUDGEMENTS *(Continued)*

Estimation uncertainty *(Continued)*

Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimation is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Please refer to note 16 to the consolidated financial statements for the carrying value of the Group's property, plant and equipment.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Please refer to note 20 to the consolidated financial statements for the carrying value of goodwill at the end of reporting period.

Impairment of trade receivables and other receivables

Impairment of trade receivables and other receivables is made based on an assessment of the recoverability of trade receivables and other receivables. The identification of doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the receivables as well as doubtful debt expenses or write-back of doubtful debts in the period in which such estimate has been changed. Please refer to notes 24 and 25 to the consolidated financial statements for the carrying value of trade receivables and other receivables at the end of reporting period.

Estimation of fair value of an investment property

As described in note 17 to the consolidated financial statements, the investment property was revalued at the end of the reporting period on an open market, existing use basis by an independent firm of professionally qualified valuers. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from a variety of sources, including current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period. Please refer to note 17 to the consolidated financial statements for the carrying value of investment property at the end of reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

7. SIGNIFICANT ESTIMATION UNCERTAINTIES AND ACCOUNTING JUDGEMENTS *(Continued)*

Estimation uncertainty *(Continued)*

Valuation of share options

As described in note 36 to the consolidated financial statements, the Company engaged an independent firm of professional qualified valuers to assist in the valuation of the share options granted during the year ended 31 March 2014. The fair value of options granted under the share option schemes is determined using the binomial option pricing model. The significant inputs into the model were share price at grant date, risk-free interest rate, exercise price and expected volatility of the underlying shares. When the actual results of the inputs differ from management's estimate, it will have an impact on share option expense and the related share option reserve of the Company. The Company did not grant any share options during the year. The fair value of the share options granted during the year ended 31 March 2014 was HK$2,813,000. Further details of the share options are set out in note 36 to the consolidated financial statements.

Current income taxes

The Group's subsidiaries that operate in Hong Kong and the PRC are subject to Profits Tax in Hong Kong, and Enterprise Income Tax in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax in the period in which such determination is made. The provision for income tax of the Group for the year ended 31 March 2017 was approximately HK$126,000 (2016: HK$8,000). Tax recoverable as at 31 March 2017 was approximately HK$157,000 (31 March 2016: tax provision of approximately HK$178,000).

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. The Directors reassess the estimations at the end of each reporting period. The carrying value of the Group's inventories is set out in note 22 to the consolidated financial statements.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

7. SIGNIFICANT ESTIMATION UNCERTAINTIES AND ACCOUNTING JUDGEMENTS *(Continued)*

Judgements *(Continued)*

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in HKAS 18 Revenue and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods. Following the detailed quantification of the Group's liabilities in respect of rectification work, and the agreed limitation on the customer's ability to require further work or to require replacement of the goods, management is satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate, in conjunction with the recognition of an appropriate provision for the rectification costs.

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities comprising the Group, judgement is required to determine and consider the currency that mainly influences sales prices of services and of the country/jurisdiction whose competitive forces and regulations mainly determines the sales prices of services; the currency that mainly influences labour and other costs of providing services; the currency in which funds from financing activities are generated; and the currency in which receipts from operating activities are usually retained. The functional currencies of the entities comprising the Group are determined based on management's assessment of the primary economic environment in which the entities operate. When the indicators are mixed and the functional currency is not obvious, management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

8. 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. 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

8. OPERATING SEGMENT INFORMATION *(Continued)*

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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

8. OPERATING SEGMENT INFORMATION *(Continued)*

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 the 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	**2016**
	HK$'000	*HK$'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

8. OPERATING SEGMENT INFORMATION *(Continued)*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

8. OPERATING SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 March 2017

	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 *(note 16)*	62	521	—	1,745	2,328
Amortisation of prepaid rentals *(note 18)*	—	—	—	54	54
Written off of property, plant and equipment *(note 16)*	44	—	—	—	44
Written off of an available-for-sale financial asset *(note 19)*	419	—	—	—	419
Income tax expense *(note 14)*	—	—	124	—	124
Capital Expenditure: Property, plant and equipment *(note 16)*	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 *(note 16)*	756	358	—	—	1,114
Net loss on De-consolidation of subsidiaries *(note 41)*	10,555	—	—	—	10,555
Impairment losses on trade receivables *(note 24)*	827	—	—	—	827
Income tax expense *(note 14)*	—	8	—	—	8
Capital Expenditure: Property, plant and equipment *(note 16)*	184	211	—	—	395

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

9. 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 *(note 17)*	—	388
	307	604
	30,562	10,654

10. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 *HK$'000*	2016 *HK$'000*
Interest on borrowing wholly repayable within five years and total borrowing cost	—	46
Imputed interest on a convertible note *(note 34)*	539	—
	539	46

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

11. LOSS BEFORE TAX

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

	2017 *HK$'000*	**2016** *HK$'000*
Cost of services*	—	1,037
Cost of sales	23,690	3,604
Amortisation on prepaid rentals *(note 18)*	54	—
Depreciation *(note 16)**	2,328	1,114
Written off of items of property, plant and equipment *(note 16)*	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 *(note 12)*)*#:		
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
Foreign exchange (gains)/losses, net *(note 9)*	(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 *(note 24)*	—	827
Written off of an available-for-sale financial asset *(note 19)*	419	—
Net loss on De-consolidation of subsidiaries *(note 41)*	—	10,555
Gain on disposal of items of property, plant and equipment	(12)	—
Share of loss of an associate *(note 21)*	195	—
Research and development costs#	—	310
Bank interest income *(note 9)*	(5)	(64)
Investment income *(note 9)*	(6)	(152)
Fair value gain on an investment property *(note 17)*	—	(388)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

11. LOSS BEFORE TAX *(Continued)*

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

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).

12. DIRECTORS' REMUNERATION

Directors' remuneration comprises payment by the Group to Directors of the Company in connection with the management of the affairs of the Company and its subsidiaries. The remuneration of each Director for each of the years ended 31 March 2017 and 2016 is set out below:

	2017	**2016**
	HK$'000	*HK$'000*
Fees	390	394
Other emoluments:		
Salaries, allowances and benefits in kind	2,860	3,717
Equity-settled share option arrangements	—	38
Pension scheme contributions	64	87
	2,924	3,842
	3,314	4,236

In the prior years, three Directors were granted share options in respect of their services to the Group under the share option schemes of the Company, further details of which are set out in note 36 to the consolidated financial statements. The fair value of such options which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above Directors' remuneration disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

12. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive Directors

The fees paid to independent non-executive Directors during the year were as follows:

	2017	**2016**
	HK$'000	*HK$'000*
Mr. Lam Kwok Cheong (appointed on 25 June 2015)	130	102
Mr. Xu Xiaoping (appointed on 25 June 2015)	130	102
Mr. Poon Yan Wai (appointed on 8 October 2015)	130	68
Ms. Wong Chi Yan (appointed on 25 June 2015 and resigned on 8 October 2015)	—	35
Mr. Tam Chun Wan (resigned on 17 July 2015)	—	29
Ms. Tse Yuet Ling, Justine (resigned on 17 July 2015)	—	29
Ms. Lai May Lun (resigned on 17 July 2015)	—	29
	390	394

There were no other emoluments payable to the independent non-executive Directors during the year (2016: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

12. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive Directors and non-executive Directors

The emoluments of each executive and non-executive Director and the chief executive officer were as follows:

2017

	Fee	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option arrangements	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors:					
Mr. Xu Zhigang *(Chairman)*	—	1,040	18	—	1,058
Mr. Shi Liangsheng (appointed on 18 July 2016)	—	400	13	—	413
Mr. Yeung Yiu Bong, Anthony (resigned on 15 July 2016)	—	235	—	—	235
Mr. Han Jun	—	585	—	—	585
Mr. Wen Xingcheng (appointed on 3 April 2017)	—	—	—	—	—
	—	2,260	31	—	2,291
Non-executive Directors:					
Mr. Chen Weixi (appointed on 25 June 2015)	—	390	—	—	390
Mr. Yip Heon Keung (redesignated from an Executive Director with effect from 17 July 2015 and resigned on 15 February 2017)	—	115	33	—	148
Mr. Song Xuxi (appointed on 1 June 2016 and resigned on 15 February 2017)	—	95	—	—	95
	—	600	33	—	633
	—	2,860	64	—	2,924

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

12. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive Directors and non-executive Directors *(Continued)*

2016

	Fee	Salaries, allowances and benefits in kind	Pension scheme contributions	Equity-settled share option arrangements	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors:					
Mr. Xu Zhigang *(Chairman)* (appointed on 25 June 2015)	—	816	5	—	821
Mr. Yeung Yiu Bong, Anthony (appointed on 26 February 2016 and resigned on 15 July 2016)	—	77	—	—	77
Ms. Ding Pingying (appointed on 25 June 2015 and resigned on 26 February 2016)	—	276	5	—	281
Mr. Yip Heon Ping (resigned on 17 July 2015)	—	1,102	30	19	1,151
Mr. Han Jun	—	459	17	—	476
	—	2,730	57	19	2,806
Non-executive Directors:					
Mr. Chen Weixi (appointed on 25 June 2015)	—	306	—	—	306
Mr. Yip Heon Keung (redesignated from an Executive Director with effect from 17 July 2015 and resigned on 15 February 2017)	—	681	30	19	730
Ms. Li Luyi (resigned on 17 July 2015)	—	—	—	—	—
	—	987	30	19	1,036
	—	3,717	87	38	3,842

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2016: nil). During the year, no emoluments have been paid by the Group to the Directors or any of the five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2016: three) Directors, details of whose remuneration are set out in note 12 to the consolidated financial statements above. Details of the remuneration of the remaining three (2016: two) non-director, highest paid employees for the year were as follows:

	2017	2016
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	1,511	1,114
Pension scheme contributions	58	17
	1,569	1,131

The number of non-Director, highest paid employees whose remuneration fell within the following bands is as follows:

	2017	2016
	HK$'000	*HK$'000*
HK$1 to HK$500,000	1	1
HK$500,001 to HK$1,000,000	2	1
	3	2

14. 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 *(note 33)*	(89)	—
Total tax charged for the year	35	8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

14. TAXATION *(Continued)*

A reconciliation of the tax charge applicable to loss before tax at the statutory tax rates for the jurisdictions in which the Company and its principal subsidiaries operate to the tax charge at the effective tax rate, is as follows:

	2017	**2016**
	HK\$'000	*HK\$'000*
Loss before tax	(23,657)	(31,351)
Tax credit at the Hong Kong profits tax rate of 16.5% (2016: 16.5%)	(2,996)	(2,278)
Tax credit at the Mainland China statutory tax rate of 25.0% (2016: 25.0%)	(1,373)	(4,387)
Tax effect of share of loss of an associate	47	—
Income not subject to tax	(2,949)	(125)
Expenses not deductible for tax	3,042	3,051
Tax losses not recognised	4,266	3,747
Total tax charged at the Group's effective rate	35	8

15. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

16. PROPERTY, PLANT AND EQUIPMENT

2017

	Land and building in Mainland China	Leasehold improvements	Office and computer equipment, furniture and fixture	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
As at 1 April 2016	1,385	94	3,492	4,971
Additions	—	256	219	475
Acquisition of subsidiaries *(note 39)*	—	823	4,960	5,783
Disposals	—	—	(53)	(53)
Written off	—	(214)	(1,080)	(1,294)
Exchange realignment	—	(31)	(123)	(154)
As at 31 March 2017	1,385	928	7,415	9,728
Accumulated depreciation and impairment:				
As at 1 April 2016	386	28	2,490	2,904
Provided for the year	35	283	2,010	2,328
Disposals	—	—	(5)	(5)
Written off	—	(187)	(1,063)	(1,250)
Exchange realignment	—	(7)	(41)	(48)
As at 31 March 2017	421	117	3,391	3,929
Carrying amount:				
As at 31 March 2017	964	811	4,024	5,799

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

2016

	Land and building in Mainland China	Leasehold improvements	Office and computer equipment, furniture and fixture	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:					
As at 1 April 2015	1,385	1,373	12,231	3,650	18,639
Additions	—	154	241	—	395
Acquisition of subsidiaries *(note 39)*	—	—	1,637	—	1,637
Disposals	—	(61)	(297)	—	(358)
De-consolidation of subsidiaries	—	(1,321)	(9,466)	(3,466)	(14,253)
Exchange realignment	—	(51)	(854)	(184)	(1,089)
As at 31 March 2016	1,385	94	3,492	—	4,971
Accumulated depreciation and impairment:					
As at 1 April 2015	351	937	12,004	2,996	16,288
Provided for the year	35	296	499	284	1,114
Disposals	—	(61)	(297)	—	(358)
De-consolidation of subsidiaries	—	(1,115)	(9,371)	(2,609)	(13,095)
Exchange realignment	—	(29)	(345)	(671)	(1,045)
As at 31 March 2016	386	28	2,490	—	2,904
Carrying amount:					
As at 31 March 2016	999	66	1,002	—	2,067

The Group's leasehold building is held under a medium term lease and is situated in Mainland China.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

17. INVESTMENT PROPERTY

	Fair value	Cost	
	Completed properties *(note a)*	Properties under construction *(note b)*	Total
As at 1 April 2015	4,367	—	4,367
Fair value adjustment *(notes 9 and 11)*	388	—	388
Exchange realignment	77	—	77
De-consolidation of subsidiaries *(note 41)*	(4,832)	—	(4,832)
As at 31 March 2016 and 1 April 2016	—	—	—
Acquisition of asset through acquisition of subsidiaries *(note 40)*	—	3,601	3,601
Construction cost incurred	—	816	816
Exchange realignment	—	(26)	(26)
As at 31 March 2017	—	4,391	4,391

Notes:

a) The Group's investment property is held under a long term lease and its address is 中國北京東城區東直門外大街乙36號院25號樓7層1單元807室 (Unit 807, Level 7, Entrance 1, Building 25, No. Yi 36, Dongzhimenwai Street, Dongcheng District, Beijing, the PRC, for identification purpose only) which is a residential unit.

The Group's investment property was revalued on 31 December 2015 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent firm of professional qualified valuers, not connected to the Group who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by using direct comparison method by making reference to the comparable properties on a price per square meter basis using market data which is publicly available. The Group has determined that the highest and best use of the investment property as at 31 December 2015 would be for rental purpose. For strategic reasons, the property is not being used in this manner.

At each financial year end the Directors assess property valuations movements when compared to the prior year valuation report.

Fair value adjustment of the investment property is recognised in the consolidated statement of profit or loss. All gains or losses recognised in the consolidated statement of profit or loss for the year are arisen from the property held at the end of the reporting period. There has been no change from the valuation technique used in the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

17. INVESTMENT PROPERTY *(Continued)*

Notes: (Continued)

b) For the Group's investment properties under construction at cost, when their fair values were not reliably measurable, they were measured at cost, less any impairment loss, until the earlier of the date of construction is completed and the date at which fair value become reliably measurable.

The Group's investment property, which is under construction, is held for a long term lease purpose and its address is southern side of Zhongshan Road, western side of Zhawang Highway, Jianggan District, Jiaxing City, Zhejiang Province, the PRC, which is a construction of a six-storey commercial building in progress.

As at 31 March 2017 and 2016, there was no investment property pledged as security for any loan granted to the Group.

18. LONG-TERM PREPAID RENTALS

This represents the prepayment of long-term rentals of farm in PRC for the business on pharmaceutical and healthcare products segment as at the end of the reporting period under operating leases in the PRC. The lease term is 13 years. The movements of the long-term prepaid rentals are summarised as follows:

	2017	**2016**
	HK$'000	*HK$'000*
Cost:		
As at 1 April	—	—
Addition during the year	1,282	—
Exchange realignment	(41)	—
As at 31 March	1,241	—
Accumulated amortisation and impairment loss:		
As at 1 April	—	—
Amortisation for the year	54	—
Exchange realignment	(1)	—
As at 31 March	53	—
Carrying amount:		
As at 31 March	1,188	—

Analysis of long-term prepaid rentals is as follows:

Non-current portion	1,093	—
Current portion	95	—
Carrying amount as at 31 March	1,188	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	**2016**
	HK$'000	*HK$'000*
Club debenture, at cost	—	419
Unlisted equity securities, at fair value *(note (a))*		
As at 1 April	21,760	—
Additions	—	15,000
Fair value adjustment during the year	(5,177)	6,760
As at 31 March	16,583	21,760
Total	16,583	22,179

(a) On 23 October 2015, Meteor Storm Holdings Limited, a wholly-owned subsidiary of the Group, has entered into agreement with Hong Kong Media Group Limited, a shareholder of Hong Kong Net TV Limited which incorporated under the laws of the British Virgin Islands with the limited liability to acquire 6% of the ordinary share capital in Hong Kong Net TV Limited, a company is principally engaged in the business of provision of advertising and consultancy services. The Directors do not believe that the Group is able to exercise significant influence over Hong Kong Net TV Limited as the other 94% of the ordinary share capital is held by one shareholder, who also manages the day-to-day operations of that company. The acquisition transaction was completed on 21 December 2015. No dividend was entitled to the Group during each of the years ended 31 March 2017 and 2016.

The above unlisted equity securities were revalued on 31 March 2017 and 2016 by Peak Vision Appraisals Limited, an independent firm of professionally qualified valuers, not connected to the Group who have appropriate qualifications and recent experience in the valuation of similar equity securities.

20. GOODWILL

	2017	**2016**
	HK$'000	*HK$'000*
Cost:		
As at 1 April	3,908	188
Arising on acquisition of subsidiaries *(note 39)*	1,184	3,908
De-consolidation of subsidiaries *(note 41)*	—	(188)
As at 31 March	5,092	3,908
Accumulated impairment losses:		
As at 1 April	—	(188)
De-consolidation of subsidiaries *(note 41)*	—	188
As at 31 March	—	—
Carrying amounts:		
As at 31 March	5,092	3,908

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

20. GOODWILL *(Continued)*

	2017	2016
	HK$'000	*HK$'000*
Goodwill analysed by subsidiaries acquired was:		
Sino Yao Shang Technology Limited *(note 39)*	1,184	—
Mastery Jewellery Co. Limited *(note 39)*	2,914	2,914
Wing Tai Industrial Holdings Limited *(note 39)*	994	994
	5,092	3,908

Impairment tests for cash-generating units containing goodwill

Goodwill acquired has been allocated for impairment testing purposes to the following cash generating units ("CGU"):

— Sino Yao Shang Technology Limited
— Mastery Jewellery Co. Limited
— Wing Tai Industrial Holdings Limited

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Notes:

Sino Yao Shang Technology Limited

The recoverable amount of the Sino Yao Shang Technology Limited CGU is determined based on the value-in-use calculation under the income approach, which includes the discounted cash flows sourced from the financial budgets approved by the management covering a 5-year period, and the post-tax discount rate of approximately 15% that reflects current market assessment of the time value of money and the risks specific to the Sino Yao Shang Technology Limited CGU. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Cash flow projections during the budget period are based on the expected revenue from existing and potential customers throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 3% per annum growth rate. The growth rate does not exceed the long term average growth rate for the market.

The recoverable amount of the Sino Yao Shang Technology Limited CGU has been referenced to the valuation report prepared by Peak Vision Appraisals Limited, an independent professional valuer.

As the recoverable amount was calculated to be exceed the carrying amount of CGU to which goodwill is allocated, no impairment loss was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

20. GOODWILL *(Continued)*

Impairment tests for cash-generating units containing goodwill *(Continued)*

Notes: (Continued)

Mastery Jewellery Co. Limited

The recoverable amount of the Mastery Jewellery Co. Limited CGU is determined based on the value-in-use calculation under the income approach, which includes the discounted cash flows sourced from the financial budgets approved by the management covering a 5-year period, and the post-tax discount rate of approximately 12% (2016: 15%) that reflects current market assessment of the time value of money and the risks specific to the Mastery Jewellery Co. Limited CGU. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Cash flow projections during the budget period are based on the expected revenue from existing and potential customers throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 3% (2016: 3%) per annum growth rate. The growth rate does not exceed the long term average growth rate for the market.

The recoverable amount of the Mastery Jewellery Co. Limited CGU has been referenced to the valuation report prepared by Peak Vision Appraisals Limited, an independent professional valuer.

As the recoverable amount was calculated to be exceed the carrying amount of CGU to which goodwill is allocated, no impairment loss was recognised.

Wing Tai Industrial Holdings Limited

The recoverable amount of the Wing Tai Industrial Holdings Limited CGU is determined based on the value-in-use calculation under the income approach, which includes the discounted cash flows sourced from the financial budgets approved by the management covering a 5-year period, and the post-tax discount rate of approximately 11% (2016: 15%) that reflects current market assessment of the time value of money and the risks specific to the Wing Tai Industrial Holdings Limited CGU. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Cash flow projections during the budget period are based on the expected revenue from existing and potential customers throughout the budget period. The cash flows beyond that five-year period have been extrapolated using a steady 3% (2016: 10%) per annum growth rate. The growth rate does not exceed the long term average growth rate for the market.

As the recoverable amount was calculated to be exceed the carrying amount of CGU to which goodwill is allocated, no impairment loss was recognised.

The key assumptions used in the value in use calculations for the CGU are as follows:

Budgeted market share	The values assigned to the assumption reflect past experience, except for the growth factor, which is consistent with the directors' estimation of the revenue from existing and potential customers. The directors believe that planned revenue growth per year for the next five years is reasonably achievable.
Budgeted gross margin	Average gross margins achieved in the period immediately before the budget period, increase for expected efficiency improvements. This reflects past experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

20. GOODWILL *(Continued)*

Impairment tests for cash-generating units containing goodwill *(Continued)*

Directors believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

21. INTEREST IN AN ASSOCIATE

	2017	2016
	HK$'000	*HK$'000*
Unlisted investments:		
Investment at cost	2,256	—
Share of post-acquisition losses	(195)	—
Exchange realignment	7	—
Share of net assets of an associate	2,068	—

Details of the interest in an associate as at 31 March 2017 are as follows:

Name	Place of incorporation	Registered capital	Percentage of equity interest Direct	Percentage of equity interest Indirect	Principal activities
華茂翔龍(深圳)實業有限公司	Shenzhen, the PRC	RMB10,000,000	20%	—	Investment in gold industry

The following table shows information on the associate which is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the financial statements of the associate prepared using HKFRS.

Name	2017	2016
% of ownership interests/voting rights held by the Group	20%	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

21. INTEREST IN AN ASSOCIATE *(Continued)*

	2017	2016
	HK$'000	*HK$'000*
At 31 March		
Non-current assets	1,119	—
Current assets	15,859	—
Non-current liabilities	6,543	—
Current liabilities	95	—
Net assets	10,340	—
Group's share of net assets	2,068	—
Group's share of carrying amount of interests	2,068	—
Year ended 31 March 2017:		
Revenue	2,687	—
Loss for the year	(973)	—
Other comprehensive income	—	—
Total comprehensive loss	(973)	—
Share of results of an associate for the year	(195)	—

22. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw material	42	223
Finished goods	14,904	15,043
	14,946	15,266

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

23. BIOLOGICAL ASSETS

	Longan	Radix millettiae speciosae	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 1 April 2015, 31 March 2016 and 1 April 2016	—	—	—
Net increase due to cultivation	51	25	76
Net gain on change in fair value due to price, yield, maturity and cost changes	40	606	646
Exchange realignment	(3)	(20)	(23)
As at 31 March 2017	88	611	699

As at 31 March 2017, longan and radix millettiae speciosae are stated at fair value less costs to sell which is determined by the management's best estimates and judgement with reference to the recent market prices of longan and radix millettiae speciosae in similar locations and conditions. It is categorised as level 3 fair value measurement within the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement.

As at 31 March 2017, the biological assets represent approximately 650 kilogram longan and approximately 30,000 trees radix millettiae speciosae. As at 31 March 2016, the Group did not have any biological assets.

As at 31 March 2017 and 2016, there was no biological assets was pledged as security for any loan granted to the Group.

The Group is exposed to a number of risks related to the biological assets:

(1) Regulatory and environmental risks

The Group is subject to laws and regulations in the jurisdiction in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

(2) Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of longan and radix millettiae speciosae. Where possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

23. BIOLOGICAL ASSETS *(Continued)*

(3) Climate and other risks

The Group's longan and radix millettiae speciosae plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed to minimise those risks, including regular forest health inspections and industry pest and disease surveys.

The Group has engaged an independent valuer to determine the fair value of longan and radix millettiae speciosae less costs to sell as at 31 March 2017. The valuation methodology used to determine the fair value of longan and radix millettiae speciosae less costs to sell is in compliance with HKAS 41, Agriculture with aims to determine the fair value of a biological asset in its present location and condition.

The fair value has been determined by income approach. In estimating the future cash flows and discount rate, the following key assumptions were applied:

a) The natural disaster risk can be basically controlled, that is, during the land contract management period, it is possible to maintain the survey of longan and radix millettiae speciosae;

b) It is assumed that the valuation of radix millettiae speciosae should only consider harvesting the root of the production of the target, regardless of the possible value of the seed and the breeding seed;

c) Assuming the production of longan and radix millettiae speciosae was vigorously, all in accordance with the investigation of the barley transaction price. And during the entire operating period, the price of these two products were unchanged; and

d) The discount rate used is 12% to be applied to the longan and radix millettiae speciosae.

The fair value measurement of the longan and radix millettiae speciosae is categorised as level 3 within the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. Significant unobservable inputs are mainly the expected future cash flow and the discount rate. The higher the future cash flows or the lower the discount rate, the higher the fair value determined.

During each of the years ended 31 March 2017 and 2016, there was no transfer occurred between levels in the hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

24. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables, gross	4,211	2,275
Impairment allowances	(1,397)	(1,491)
Loans receivables	34,372	26,078
Trade receivables, net	37,186	26,862

Loans receivables

Loans receivables represent loans to individuals which are unsecured and carry interest from 10% to 24% per annum. As at 31 March 2017 and 2016, all loans receivables have lending terms from 6 months to one year but contained a repayable on demand clause. The aggregated principal amount outstanding at the end of the reporting period is HK$33,000,000 (2016: HK$26,000,000) and the balance includes interest receivable of HK$1,372,000 (2016: HK$78,000).

All loans receivables are with average credit terms of 215 days (2016: 180 days) (since the loans were granted) and are not yet past due at the end of the reporting period (average overdue was 0 days since maturity date). The Group had reviewed the recoverability of the loan receivables and the Group has not provided impairment loss on these loans receivables.

Trade receivables

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 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.

At the end of the reporting period, the Group has significant concentration of credit risk as approximately 37% (2016: 49%) of the balance represented a receivable from a customer with the largest trade receivable at the year end. The trade receivables balances as at 31 March 2017 contributed by the five largest customers of the year was approximately 96% (2016: 100%). Concentration of credit risk is managed by control over credit term over individual customer. Trade receivables are unsecured and non-interest-bearing.

The loans receivables outstanding as at 31 March 2017 and 2016 are denominated in Hong Kong dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

24. TRADE RECEIVABLES *(Continued)*

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 movements in the Group's impairment allowances of trade receivables are as follows:

	2017	**2016**
	HK$'000	*HK$'000*
As at 1 April	1,491	1,337
De-consolidation of subsidiaries	—	(719)
Impairment losses recognised *(note 11)*	—	827
Exchange realignment	(94)	46
As at 31 March	1,397	1,491

The above allowances for impairment of trade receivables are allowances for individually impaired trade receivables with carrying amounts before allowances of approximately HK$1,397,000 (2016: HK$1,491,000). The individually impaired trade receivables are considered to be less likely to recover by management after considering the credit quality of those individual customers based on their settlement history.

An aged analysis of the Group's trade receivables that are not considered to be impaired, based on the due date, is as follows:

	2017	**2016**
	HK$'000	*HK$'000*
Not yet past due	23,497	26,862
Past due but not impaired:		
1 to 3 months past due	13,689	—
Trade receivables, net	37,186	26,862

Receivables that were past due but not impaired relate to independent customers that have a good repayment record with the Group. Based on past experience, the Directors are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group does not hold any collateral or other credit enhancements over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Prepayments *(note a)*	2,277	449
Deposits and other receivables	3,975	3,727
	6,252	4,176
Less: Current portion	(6,252)	(4,130)
Non-current portion	—	46

Note:

(a) The amount included prepayment of approximately HK$1,140,000 (2016: nil) to certain third parties located in the PRC for prepaid repair and maintenance fee.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK$'000	*HK$'000*
Listed securities:		
— Equity securities listed in the PRC, at fair value	600	—

As at the end of the reporting period, financial assets at fair value through profit or loss are stated at fair value. Fair values of listed securities are determined with reference to quoted market prices.

27. DUE FROM RELATED COMPANIES

Name of companies	Maximum balance during the year	2017	2016
	HK$'000	*HK$'000*	*HK$'000*
Prosten Capital Limited	17	17	—
Prosten Securities Limited	17	17	—
		34	—

Amounts due from related companies are unsecured, non-interest bearing and recoverable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

31 March 2017

28. CASH AND CASH EQUIVALENTS

	2017	2016
	HK$'000	*HK$'000*
Cash and bank balances	8,638	28,661
Time deposits	100	100
Cash and cash equivalents	8,738	28,761

At the end of the reporting period, the cash and bank balances and time deposits held by subsidiaries of the Company denominated in RMB amounted to approximately HK$1,399,000 (2016: HK$2,813,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits were made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The deposits at banks are deposited with creditworthy banks with no recent history of default.

As at the end of reporting period, these is no pledged deposits (2016: nil).

29. 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

30. OTHER PAYABLES AND ACCRUALS

	2017	2016
	HK$'000	*HK$'000*
Other payables	2,199	4,048
Accruals	3,683	4,288
	5,882	8,336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

31. DUE TO A THEN NON-EXECUTIVE DIRECTOR

Amount due to a then non-executive director is unsecured, non-interest bearing and repayable on demand.

32. DUE TO AN ULTIMATE HOLDING COMPANY/DE-CONSOLIDATED SUBSIDIARIES

Amounts due to an ultimate holding company/De-Consolidated Subsidiaries are unsecured, non-interest bearing and repayable on demand.

33. DEFERRED TAX LIABILITIES

Deferred tax liability related to withholding taxes of unremitted earnings.

	Unremitted earnings	**Convertible note**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
As at 1 April 2015	500	—	500
De-consolidation for subsidiaries *(note 41)*	(302)	—	(302)
Exchange realignment	(17)	—	(17)
As at 31 March 2016 and 1 April 2016	181	—	181
Issuance of a convertible note	—	752	752
Credit to profit or loss *(note 14)*	—	(89)	(89)
Conversion into shares	—	(663)	(663)
Exchange realignment	(12)	—	(12)
As at 31 March 2017	169	—	169

Pursuant to the Corporate Income Tax Law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the respective jurisdictions of the foreign investors.

For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated after 1 January 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

34. CONVERTIBLE NOTE

On 31 October 2016, the Company issued 6% denominated convertible note with the aggregate principal amount of HK$35,000,000 ("Convertible Note"). The Convertible Note holder are entitled to convert to ordinary share at a conversion price of HK$ 0.31 per share and will be matured on 30 October 2017.

Apart from its core business, the Group has recently expanded its business into the pharmaceutical, jewellery and financial services industries.

The issue of the Convertible Note represents an opportunity to strengthen the financial position of the Group and provide funding to the Group to meet the operational needs of its existing core business and the new investments as mentioned above, and any other future development opportunities and obligations.

The Directors also consider that the issue of the Convertible Note is an appropriate means of raising additional capital of the Company since it will not have an immediate dilution effect on the shareholding of the existing shareholders of the Company.

The proceeds from the issuance of the Convertible Note have been used to acquire certain subsidiaries.

The Convertible Note might be converted into shares in the Company at any time on or after issue date up to the date falling five business days prior to the maturity date.

Unless previously redeemed, converted, purchased and cancelled, the Company will redeem each Convertible Note at its principal amount with accrued and unpaid interest thereon on the maturity date.

The Convertible Note bore interest from and including the issue date at 6% per annum. The interest payable amount is calculated by 6% to outstanding principal amount of the Convertible Note.

The Convertible Note contained two components: liability and equity elements. The equity element is presented in equity heading "convertible note equity reserve". The effective interest rate of the liability component on initial recognition is 21.86% per annum. The valuation of Convertible Note was performed by an independent qualified professional valuer of the Company.

In November 2016, the holder of the Convertible Note exercised the right to converted a total of 112,903,225 shares in the Company at the conversion price of HK$0.31 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

34. CONVERTIBLE NOTE *(Continued)*

Information regarding the Convertible Note is presented as follows:

	Convertible notes *HK$'000*
Principal amounts:	
— as at 31 October 2016	35,000
— Interest: in HK$ settlement 6 % p.a. payable per annum	
Issue date: 31 October 2016	
Maturity date: 31 October 2017	
Conversion price per share: HK$ 0.31	
Risk free rate	0.45%
Discount rate	21.86%

The Convertible Note recognised in the consolidated statement of financial position was calculated as follows:

	Convertible notes *HK$'000*
Principle amounts:	
Liability component	30,440
Equity component	4,560
Nominal value of Convertible Note issued on 31 October 2016	35,000
As at 1 April 2015, 31 March 2016 and 1 April 2016	—
Liability component on 31 October 2016	30,440
Imputed interest charge *(note 10)*	539
Less: Converted during the year	(30,979)
As at 31 March 2017	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

35. SHARE CAPITAL

	Number of shares *'000*	Amounts *HK$'000*
Authorised:		
Ordinary Shares:		
As at 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017 — HK$0.10 each	2,500,000	250,000
Issued and fully paid:		
As at 1 April 2015	796,105	79,610
Exercise of share options	3,138	314
Placing of new shares *(Notes a and b)*	296,118	29,612
As at 31 March 2016 and 1 April 2016	1,095,361	109,536
Issue of shares upon conversion of the Convertible Note *(Note c)*	112,903	11,290
As at 31 March 2017	1,208,264	120,826

Notes:

(a) On 31 July 2015, the Company entered into a placing agreement with a placing agent, an independent third party. On 21 August 2015, the placing was completed. Pursuant to the placing agreement, the Company issued a total of 136,270,000 ordinary shares with par value of HK$0.1 each at a price of HK$0.43 per share. The issued share capital of the Company was thus increased from HK$79,924,250 to HK$93,551,250. The excess of the placement proceeds over the nominal value of share capital issued was credited as share premium.

(b) On 19 February 2016, the Company entered into a placing agreement with a placing agent, an independent third party. On 10 March 2016, the placing was completed. Pursuant to the placing agreement, the Company issued a total of 159,848,000 ordinary shares with par value of HK$0.1 each at a price of HK$0.31 per share. The issued share capital of the Company was thus increased from HK$93,551,250 to HK$109,536,050. The excess of the placement proceeds over the nominal value of share capital issued was credited as share premium.

(c) On 24 November 2016, the Company received a notice from the holder of the Convertible Note, requesting for the conversion of the Convertible Note in the principal amount of HK$35,000,000 into shares of 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

36. SHARE OPTION SCHEMES

2011 Scheme

At the annual general meeting of the Company held on 5 August 2011 (the "2011 AGM"), an ordinary resolution was passed by the shareholders to approve and adopt the a share option scheme (the "2011 Scheme").

The 2011 Scheme became effective for a period of 10 years commencing on 10 August 2011. Eligible participants of the 2011 Scheme include all directors and employees of the Group, suppliers, customers, consultants who provided services to the Group, shareholders of the subsidiaries of the Group and joint venture partners. Under the 2011 Scheme, the Directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company at the highest of (i) the closing price of shares of the Company on GEM as stated in the Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of the shares of the Company on GEM as stated in the Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Company's share. The offer of a grant of options may be accepted within 21 days from the date of the offer. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The exercise period of the options granted is determinable by the Directors, which commences after the date of offer with a certain vesting period and ends in any event not later than 10 years from the respective date when the share options are granted, subject to the provisions for early termination thereof.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the 2011 Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the date of the 2011 AGM.

The maximum number of shares to be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the 2011 Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the relevant class of shares of the Company in issue from time to time.

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive Directors in excess of 0.1% of the Company's share capital and with an aggregate value in excess of HK$5 million must be approved in advance by the Company's shareholders. The 2011 Scheme does not provide for any minimum period for holding of options or any performance target before exercise of options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

36. SHARE OPTION SCHEMES *(Continued)*

2011 Scheme *(Continued)*

The following share options were outstanding during the year:

	2017		2016	
	Weighted average exercise price	Number of shares issuable under the options	Weighted average exercise price	Number of shares issuable under the options
	HK$ per share	*'000*	*HK$ per share*	*'000*
As at 1 April	0.17	2,700	0.18	5,850
Exercised during the year	—	—	0.20	* (3,138)
Lapsed during the year	—	—	0.16	(12)
As at 31 March	0.17	2,700	0.17	2,700

* Total exercise monies of HK$165,000 was received for the exercise of 400,000 share options of the Company under a share option scheme approved by the shareholders on 9 April 2002.

Total exercise monies of HK$451,575 was received for the exercise of 2,738,000 share options of the Company under the 2011 Scheme.

The exercise price, exercise period and number of share issuable in respect of the share options outstanding under the 2011 Scheme as at the end of the reporting period are as follows:

2017 and 2016

Number of shares issuable under the options	Exercise price*	Exercise period
'000	*HK$ per share*	
2,700	0.165	5 December 2013 to 4 December 2023
2,700		

* The exercise prices of the share options are subject to adjustments in case of rights or bonus issues, or other similar changes in the Company's share capital.

No share options were granted for each of the years ended 31 March 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

36. SHARE OPTION SCHEMES *(Continued)*

The fair value of equity-settled share options granted during the year ended 31 March 2014 was estimated as at the date of grant, with reference to the valuation performed by Grant Sherman Appraisal Limited, an independent firm of professionally qualified valuers, using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Share options granted on 5 December 2013
Dividend yield (%)	0.0%
Expected volatility (%)	100.57%
Historical volatility (%)	100.57%
Risk-free interest rate (%)	2.2%
Weighted average share price (HK$ per share)	0.163

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

For equity-settled share-based payments with parties other than employees, the Group has rebutted the presumption that the fair values of the services received can be estimated reliably as in the opinion of the Directors, the fair value of the services cannot be reliably measured. Accordingly, the Group measured the services received from these parties, with reference to the fair values of the share options granted using the binomial option pricing model, at the date these parties rendered related services to the Group.

No other feature of the share options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had aggregated outstanding share options that enable the grantees to subscribe for up to 2,700,000 (2016: 2,700,000) shares in the Company under the 2011 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 2,700,000 (2016: 2,700,000) additional ordinary shares in the Company and additional share capital of HK$270,000 (2016: HK$270,000) and share premium of HK$175,000 (2016: HK$175,000).

At the date of approval of these consolidated financial statements, the Company had aggregate outstanding share options that enable the grantees to subscribe for up to and 2,700,000 (2016: 2,700,000) shares under the 2011 Scheme, the underlying shares in respect of which represented approximately 0.22% (2016: 0.34%), in the Company's shares in issue as at that date.

37. DIVIDENDS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

31 March 2017

38. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2017 *HK$'000*	2016 *HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	—	90
Interests in subsidiaries	—	2,370
Amounts due from subsidiaries	66,485	52,836
Amounts due form related companies	34	—
Total non-current assets	66,519	55,296
CURRENT ASSETS		
Prepayments, deposits and other receivables	611	322
Cash and cash equivalents	1,980	18,401
Total current assets	2,591	18,723
CURRENT LIABILITIES		
Other payables and accruals	770	629
Total current liabilities	770	629
NET CURRENT ASSETS	1,821	18,094
TOTAL ASSETS LESS CURRENT LIABILITIES	68,340	73,390
NON-CURRENT LIABILITIES		
Amounts due to De-Consolidated Subsidiaries	1,838	1,838
Amounts due to subsidiaries	470	916
Total non-current liabilities	2,308	2,754
NET ASSETS	66,032	70,636
EQUITY		
Share capital	120,826	109,536
Reserves	(54,794)	(38,900)
TOTAL EQUITY	66,032	70,636

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

38. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY *(Continued)*

Movements of the Company's reserve

	Share premium account	Share option reserve	Convertible note equity reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(note iv)		
As at 1 April 2016	378,628	611	—	(462,242)	(83,003)
Loss and total comprehensive loss for the year	—	—	—	(32,412)	(32,412)
Equity-settled share option arrangements	—	106	—	—	106
Exercise of share options	704	(401)	—	—	303
Placement of new shares	77,466	—	—	—	77,466
Expenses on issue of new shares	(1,360)	—	—	—	(1,360)
As at 31 March 2016 and 1 April 2016	455,438	316	—	(494,654)	(38,900)
Loss and total comprehensive loss for the year	—	—	—	(40,054)	(40,054)
Equity component of a Convertible Note	—	—	4,560	—	4,560
Deferred tax arising on issue of a Convertible Note	—	—	(752)	—	(752)
Issue of share upon conversion of a Convertible Note	24,160	—	(3,808)	—	20,352
As at 31 March 2017	479,598	316	—	(534,708)	(54,794)

(i) Under the Companies Law (2001 Revision) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) As at 31 March 2017 and 2016, in the opinion of the Directors, the Company had no reserves available for distribution to shareholders.

(iii) The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 6 to the consolidated financial statements. The amount will be transferred to the share premium account when the related options are exercised, and will be transferred to accumulated losses should the related options expire or be forfeited.

(iv) Convertible note equity reserve represented the equity component of the Convertible Note issued.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

39. ACQUISITION OF SUBSIDIARIES

Sino Yao Shang Technology Limited

During the year ended 31 March 2017, Prosten Medical Investment Limited has entered into an agreement and a supplemental agreement to acquire 100% equity interest in Sino Yao Shang Technology Limited at a total consideration of approximately HK$9,300,000. The acquisition has been completed on 30 August 2016. The aggregate consideration of approximately HK$9,300,000 has been settled by cash.

Acquisition-related costs of approximately HK$525,000 have been recognised as expenses in the year and included in the administrative expenses.

The net liabilities acquired in the transaction and the goodwill arising therefrom, are as follows:

	Fair value recognised on acquisition *HK$'000*
Net liabilities acquired:	
Property, plant and equipment *(note 16)*	5,783
Prepayments, deposits and other receivables	2,557
Cash and cash equivalents	43
Other payables	(267)
Amount due to a then shareholder	(12,290)
Net liabilities acquired by the Group	(4,174)
Add: Amount due to a then shareholder assigned to Prosten Medical Investment Limited	12,290
Goodwill arising on acquisition *(note 20)*	1,184
Total consideration	9,300
Satisfied by:	
Cash	9,300
Net cash outflow arising on acquisition:	
Consideration paid in cash	(9,300)
Less: Cash and cash equivalents	43
	(9,257)

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The goodwill arising on the acquisition of Sino Yao Shang Technology Limited is attributable to the development on the segment of pharmaceutical and healthcare products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

39. ACQUISITION OF SUBSIDIARIES *(Continued)*

Impact of acquisition on the results of the Group

Had the acquisition of Sino Yao Shang Technology Limited been effected as at 1 April 2016, the Group's revenue for the year ended 31 March 2017 would have been approximately HK$30,255,000 and the consolidated loss for the year would have been approximately HK$27,498,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 April 2016, nor is it intended to be a projection of future results.

Mastery Jewellery Co. Limited

During the year ended 31 March 2016, Lighting Storm Holdings Limited entered into an agreement to acquire 100% equity interest in Mastery Jewellery Co. Limited at a total consideration of approximately HK$6,900,000. The acquisition has been completed on 5 October 2015. The aggregate consideration of approximately HK$6,900,000 has been settled by cash.

Acquisition-related costs of approximately HK$196,000 have been recognised as expenses in the year and included in the administrative expenses.

The net assets acquired in the transaction and the goodwill arising therefrom, are as follows:

	Fair value recognised on acquisition
	HK$'000
Net assets acquired:	
Property, plant and equipment *(note 16)*	1,637
Inventories	1,002
Trade and other receivables	1,318
Cash and cash equivalents	994
Due to then related companies	(833)
Other payables	(132)
Net assets acquired by the Group	3,986
Goodwill arising on acquisition *(note 20)*	2,914
Total consideration	6,900
Satisfied by:	
Cash	6,900
Net cash outflow arising on acquisition:	
Consideration paid in cash	(6,900)
Less: Cash and cash equivalents	994
	(5,906)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

39. ACQUISITION OF SUBSIDIARIES *(Continued)*

Mastery Jewellery Co. Limited *(Continued)*

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The goodwill arising on the acquisition of Mastery Jewellery Co. Limited is attributable to the network of its design, research and development and wholesale of jewellery.

Impact of acquisition on the results of the Group

Had the acquisition of Mastery Jewellery Co. Limited been effected as at 1 April 2015, the Group's revenue for the year ended 31 March 2016 would have been approximately HK$10,533,000 and the consolidated loss for the year would have been approximately HK$32,893,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved that had the acquisition been completed at 1 April 2015, nor is it intended to be a projection of future results.

Wing Tai Industrial Holdings Limited

During the year ended 31 March 2016, Prosten E-Business Investment Limited has entered into an agreement to acquire 100% equity interest in Wing Tai Industrial Holdings Limited at a total consideration of approximately HK$800,000. The acquisition has been completed on 20 January 2016. The aggregate consideration of approximately HK$800,000 has been settled by cash.

Acquisition-related costs of approximately HK$4,000 have been recognised as expenses in the year and included in the administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

39. ACQUISITION OF SUBSIDIARIES *(Continued)*

Wing Tai Industrial Holdings Limited *(Continued)*

The net liabilities acquired in the transaction and the goodwill arising therefrom, are as follows:

	Fair value recognised on acquisition *HK$'000*
Net assets acquired:	
Cash and cash equivalents	23
Other payables	(47)
Tax payable	(170)
Net liabilities acquired by the Group	(194)
Goodwill arising on acquisition *(note 20)*	994
Total consideration	800
Satisfied by:	
Cash	800
Net cash outflow arising on acquisition:	
Consideration paid in cash	(800)
Less: Cash and cash equivalents	23
	(777)

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Impact of acquisition on the results of the Group

Had the acquisition of Wing Tai Industrial Holdings Limited been effected as at 1 April 2015, the Group's revenue for the year ended 31 March 2016 would have been approximately HK$10,050,000 and the consolidated loss for the year would have been approximately HK$31,367,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at 1 April 2015, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

40. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

Acquisition of King Win Intelligent Technologies Limited ("King Win")

On 13 December 2016, the Group entered into a sale and purchase agreement to acquire 100% equity interest of King Win and shareholders' loans of HK$11,378,000 in the subsidiary of King Win at a total consideration of HK$10,600,000. King Win is engaged in property investment and its major asset is an investment property. The acquisition was completed on 13 January 2017.

The acquisition has been accounted for as an acquisition of asset during the year ended 31 March 2017. The effect of the acquisition is summarised as follows:

	HK$'000
Net asset acquired:	
Investment property *(note 17)*	3,601
Prepayment, deposit and other receivable	1,107
Cash and cash equivalents	5,892
Amount due to a shareholder	(11,378)
Net liabilities acquired through acquisition of subsidiaries	(778)
Add: Amount due to a shareholder assigned to the Group	11,378
Total consideration	10,600
Satisfied by:	
Cash	10,600
Net cash outflow arising on acquisition:	
Cash consideration	(10,600)
Less: Cash and cash equivalents	5,892
	(4,708)

There was no acquisition of assets through acquisition of subsidiaries during the year ended 31 March 2016.

41. DE-CONSOLIDATION OF SUBSIDIARIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

41. DE-CONSOLIDATION OF SUBSIDIARIES *(Continued)*

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

42. PARTICULAR OF SUBSIDIARIES

General information of subsidiaries

Particulars of the Company's principal subsidiaries as at 31 March 2017 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company (2017 and 2016)	Principal activities
Prosten Development Limited	British Virgin Islands	USD1	100%, 100%	Investment holding
Lighting Storm Holdings Limited	British Virgin Islands	USD50,000	100%, 100%	Investment holding
Meteor Storm Holdings Limited	British Virgin Islands	USD50,000	100%, 100%	Investment holding
Meteor Investment (H.K.) Limited	Hong Kong	HK$10,000	100%, 100%	Investment holding
Mastery Jewellery Co. Limited	Hong Kong	HK$10,000	100%, 100%	Investment holding
至尊彩虹鑽石(深圳)有限公司	PRC/Mainland China	HK$22,809,770	100%, 100%	The design, research and development, wholesale and retail of jewellery and related ancillary business
Prosten Medical Investment Limited	British Virgin Islands	USD50,000	100%, 100%	Investment holding
Prosten Medical Health Holdings Limited	Hong Kong	HK$10,000	100%, 100%	Investment holding
Prosten E-Business Investment Limited	British Virgin Islands	USD50,000	100%, 100%	Investment holding
茂名市長達藥業有限公司	PRC/Mainland China	RMB8,000,000	100%, 100%	Chinese herbal, medicine cultivation and breeding
Prosten Healthcare Finance & Investment Limited	Hong Kong	HK$10,000	100%, 100%	Investment holding
Wing Tai Industrial Holdings Limited	British Virgin Islands	USD50,000	100%, 100%	Investment holding
Wing Tai Industrial Investment Limited	Hong Kong	HK$2	100%, 100%	Investment holding
深圳市奧輝移動網絡科技有限公司 (前稱:深圳市奧輝投資諮詢有限公司)	PRC/Mainland China	HK$1,000,000	100%, 100%	Network and data services
SZ Enterprise Union Finance Limited	Hong Kong	HK$1,000,000	100%, 100%	Money lending

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

42. PARTICULAR OF SUBSIDIARIES *(Continued)*

General information of subsidiaries *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company (2017 and 2016)		Principal activities
Prosten Wealth Investment Limited	British Virgin Islands	USD50,000	100%,	100%	Investment holding
Sino Yao Shang Technology Limited	British Virgin Islands	USD50,000	100%	—	Investment holding
Sino Traditional Chinese Medicine Internet Ltd	Hong Kong	HK$10,000	100%	—	Investment holding
深圳市漢盛堂科技有限公司	PRC/Mainland China	HK$880,514	100%	—	Investment holding
廣東長達醫藥有限公司 （前稱遂溪縣健利藥業有限公司）	PRC/Mainland China	RMB1,200,000	100%	—	Distribution and retailing of chinese herbal medicine and drugs
King Win Intelligent Technologies Limited	British Virgin Islands	USD1	100%	—	Investment holding
King Win Intelligent Technologies (HK) Limited	Hong Kong	HK$10,000	100%	—	Investment holding
嘉興嘉健智能技術有限公司	PRC/Mainland China	US$1,344,730	100%	—	Internet artificial intelligence research, management and consultancy
茂名市電白區長達種養殖專業合作社	PRC/Mainland China	RMB1,000,000	70%	—	Chinese herbal medicine cultivation and breeding
Prosten (BVI) Limited	British Virgin Islands/ Hong Kong	US$21,025	100%	100%	Investment holding
Prosten Technology Co. Limited	Hong Kong	HK$1,000,000	100%	100%	Investment holding
Prolink Technology Limited	Hong Kong	HK$5	100%	100%	Investment holding
Worldly Limited	Hong Kong	HK$10,000	100%	100%	Investment holding
Welltop Investment Limited	Hong Kong	HK$1,000	100%	100%	Investment holding
Beijing Xin Tong Le Sou Technology Co Ltd.*	PRC/Mainland China	RMB1,000,000	100%	100%	Provision of wireless mobile value-added services

* Registered as a wholly-foreign-owned enterprises under the PRC Law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

42. PARTICULAR OF SUBSIDIARIES *(Continued)*

General information of subsidiaries *(Continued)*

As at 31 March 2017, except for Prosten (BVI) Limited and Prosten Development Limited, all other subsidiaries are indirectly held by the Company.

As at 31 March 2016, except for Prosten (BVI) Limited, Lighting Storm Holdings Limited, Meteor Storm Holdings Limited, Prosten Medical Investment Limited, Prosten E-Business Investment Limited, Prosten Healthcare Finance & Investment Limited and Prosten Wealth Investment Limited, all other subsidiaries were indirectly held by the Company.

The directors of the Company made an assessment as at the end of the reporting period that there is no subsidiary that has non-controlling interest individually that is material to the Group and therefore no information is disclosed for these non-wholly owned subsidiaries.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

43. COMMITMENTS

(a) Operating lease arrangements

The Group leases its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years (2016: one to three years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017	**2016**
	HK$'000	*HK$'000*
Land and buildings:		
Within one year	4,965	3,457
In the second to fifth years, inclusive	8,851	11,592
	13,816	15,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

43. COMMITMENTS *(Continued)*

(b) Capital commitments

The Group's capital commitments at the end of the reporting period are as follows:

	2017	2016
	HK$'000	*HK$'000*
Contracted but not provided for:		
Unpaid balance of capital contribution to subsidiaries in the PRC	12,105	—
Development expenditure of investment property	9,295	—

44. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2017	2016
	HK$'000	*HK$'000*
Sales of products to an associate	4,539	—

The Directors are of the opinion that the above transactions with related parties were conducted in the usual course of business and agreed between parties.

(b) Details of compensation of key management personnel of the Group are included in notes 12 and 13 to the consolidated financial statements which do not constitute connected transactions or continuing connected transactions under the GEM Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2017 *HK$'000*	**2016** *HK$'000*
Loans and receivables:		
Trade receivables *(note 24)*	37,186	26,862
Financial assets included in deposits and other receivables *(note 25)*	3,975	3,727
Due from related companies	34	—
Cash and cash equivalents *(note 28)*	8,738	28,761
	49,933	59,350
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss *(note 26)*	600	—
	600	—
Available-for-sale Financial assets:		
Available-for-sale financial assets *(note 19)*	16,583	22,179
	16,583	22,179
	67,116	81,529

Financial liabilities

	2017 *HK$'000*	**2016** *HK$'000*
Financial liabilities at amortised cost:		
Trade payables *(note 29)*	3,859	2,703
Financial liabilities included in other payables and accruals *(note 30)*	5,882	8,336
Financial liabilities included in due to an ultimate holding company *(note 32)*	142	142
Due to a then non-executive director *(note 31)*	668	5,425
Due to De-Consolidated Subsidiaries *(note 32)*	18,322	15,300
	28,873	31,906

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that except as set out below, the fair values of all financial assets and liabilities of the Group are reasonably approximate to their carrying values largely due to the short term maturities of these instruments except for the available-for-sale financial assets.

For fair value of biological assets, please refer to note 23 to the consolidated financial statements.

As at 31 March 2017, the fair values of financial instruments for which fair value are disclosed below which are classified based on their nature, characteristics and risks and the level of fair value hierarchy of these instruments.

Financial assets	Fair value at 31 March 2017	Fair value at 31 March 2016	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs
Financial assets at fair value through profit or loss *(note 26)*					
— Equity securities listed in PRC	600	—	Level 1	Quoted bid prices in an active market	N/A
Available-for-sale financial assets *(note 19)*	16,583	21,760	Level 2	Market based approach Key inputs: price of each similar companies or interest in companies	Prices used are derived from a multiple of price to earnings, prices to revenues and price to book

The fair value of non-current portion of deposits has been calculation by discounting the expected future cash flows using the risk-free rate (key input).

There were no transfers of fair value measurements between level 1 and level 2 and no transfers into or out of Level 3 during the years ended 31 March 2017 and 2016.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The major financial instruments of the Group included trade receivables, certain deposits and other receivables, due from related companies, cash and bank equivalents, available-for-sale financial assets, trade payables and certain other payables and accruals. The Group have various other financial assets and liabilities such as amounts due to an ultimate holding company, a then non-executive director, financial assets at fair value through profit or loss and De-Consolidated Subsidiaries.

The principal risk management objective of the Group is to manage the risks associated to the unpredictability of financial markets in a prudent manner. They are measured by degree of such risks and their effects to the financial performance and financial positions of the Group.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The management seeks to minimise the adverse effects of such risks to the Group by closely monitoring individual exposure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

The main risks arising from the financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. The management reviews and agrees policies for managing each of these risks and they are summarised below. No changes were made in the risk management objectives, policies, processes and the methods used to measure the risks during each of the years ended 31 March 2017 and 2016.

(a) Credit risk

Credit risk is mainly arising from risk of default of counterparties. The Group expenses to credit risk mainly from their financial assets with a maximum exposure equal to their carrying amounts, except for the Group's cash balances of approximately HK$552,000 (2016: HK$400,000).

The objective of the Group is to manage the adverse effect bring about by the risk of potential default or delay in payments. It is the Group's policy that they trade only with recognised and creditworthy counterparties and they are subject to credit verification procedures. The management monitors such exposures on an ongoing basis mainly by control over credit limits and terms by reference to their history of repayment and default.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the consolidated financial statements. Save as those disclosed in note 24 to the consolidated financial statements, there are no financial assets that are past due but not impaired. The financial assets included thereof relate to receivables for which there was no recent history of default.

(b) Liquidity risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The objective of the Group is through prudent treasury policy to monitor liquidity ratios against risk limits with a contingency plan for funding, to ensure the Group has sufficient funding for operation needs. The management manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period based on the contractual undiscounted payments is as follows:

	Total undiscounted cash flows on demand or less than 12 months 2017	**Total carrying amount 2017**	**Total undiscounted cash flows on demand or less than 12 months 2016**	**Total carrying amount 2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables *(note 29)*	3,859	3,859	2,703	2,703
Financial liabilities included in other payables and accruals *(note 30)*	5,882	5,882	8,336	8,336
Due to a then non-executive director *(note 31)*	668	668	5,425	5,425
Due to an ultimate holding company *(note 32)*	142	142	142	142
Due to De-Consolidated Subsidiaries *(note 32)*	18,322	18,322	15,300	15,300
	28,873	28,873	31,906	31,906

(c) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to its floating rate bank deposits. The Group's income and operating cash flows are largely independent of changes in market interest rates.

Objective of the Group is to manage its interest cost by a combination of fixed and variable rate financial instruments. Currently, there is no interest rate hedging policy. However, to monitor the interest rate exposures, the management will consider hedging in case of significant interest rate exposure.

As at 31 March 2017 and 2016, the Group's exposure to interest rate risk is minimal as the Group does not have any significant interest bearing financial assets/liabilities and therefore no sensitivity analysis is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Foreign currency risk

The Group operates in Hong Kong and the PRC and majority of transactions are denominated in Hong Kong dollar, United States Dollar ("US$") and RMB. Foreign exchange risk arises from trading transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group.

The Group is not exposed to foreign exchange risk in respect of Hong Kong dollar against the US$ as long as this currency is pegged.

The transactions and monetary assets and liabilities denominated in RMB outside the PRC are minimal, the directors of the Company consider that there is no significant foreign exchange risk in respect of RMB.

The Group has no significant exposure to foreign exchange rate fluctuations.

(e) Agricultural activities

Details of certain risks arising from regulatory and environmental, supply and demand and climate are disclosed in note 23 to the consolidated financial statements.

48. CAPITAL MANAGEMENT

The primary objectives of capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the management may make adjustments on the dividend policy or capital structure policy in light of changes in conditions and the risk characteristics of the underlying assets. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during each of the years ended 31 March 2017 and 2016.

The Group is not subject to any externally imposed capital requirements.

Gearing ratio

The Directors review the capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

31 March 2017

48. CAPITAL MANAGEMENT *(Continued)*

Gearing ratio *(Continued)*

The gearing ratio at the end of the reporting period was as follows:

	2017	2016
	HK$'000	*HK$'000*
Debts *(note a)*	19,132	20,867
Cash and cash equivalents	(8,738)	(28,761)
Net debt/(asset)	10,394	(7,894)
Equity *(note b)*	74,691	70,954
Net debt to equity ratio	13.92%	Net Cash Position

Notes:

(a) Debts comprises due to a then non-executive director, due to an ultimate holding company and due to De-Consolidated Subsidiaries.

(b) Equity includes all capital and reserves attributable to owners of the Company.

49. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2017 and 2016.

50. EVENTS AFTER REPORTING PERIOD

(a) Extension of loan

On 8 May 2017, SZ Enterprise Union Finance Limited, a wholly owned subsidiary of the Company, and independent third party entered in a loan extension agreement, which SZ Enterprise Union Finance Limited has agreed to extend 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*
31 March 2017

50. EVENTS AFTER REPORTING PERIOD *(Continued)*

(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.

51. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 26 June 2017.

B. Unaudited Condensed Consolidated Financial Statements

The following is the full text of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2017 extracted from the interim report of the Company for the six months ended 30 September 2017:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2017 together with the unaudited comparative figures for the corresponding periods in 2016 as follows:

		Six months ended 30 September	
		2017	**2016**
	Notes	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	23,721	8,215
Cost of sales		(19,857)	(5,357)
Gross profit		3,864	2,858
Other income and gains		300	189
Selling expenses		(2,010)	(1,527)
Administrative expenses		(11,133)	(9,774)
Other expenses		(338)	—
Gain on disposal of subsidiaries		1,371	—
Loss before tax	*5*	(7,946)	(8,254)
Income tax expense	*6*	—	(33)
Loss for the period from continuing operations		(7,946)	(8,287)
Discontinued operations			
Profit/(loss) for the period from discontinued operations	*7*	41,770	(1,002)
Profit/(loss) for the year		33,824	(9,289)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the six months ended 30 September 2017

	Notes	Six months ended 30 September 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
Other comprehensive income/(expenses):			
Item that may be reclassified subsequently to profit or loss:			
Foreign current translation arising on translation of foreign operations:			
Foreign current translation arising during the period		1,113	(659)
Share of foreign currency translation reserve of associate		99	—
Reclassification adjustments relating to foreign operations disposed of during the period		(13,169)	—
Net loss on revaluation of available-for-sale financial assets		(1,583)	—
Total comprehensive income/(expenses) for the period		20,284	(9,948)
Profit/(loss) for the period attributable to:			
— Owners of the Company		33,835	(9,289)
— Non-controlling interest		(11)	—
		33,824	(9,289)
Total comprehensive income/(expenses) for the period attributable to:			
— Owners of the Company		20,295	(9,948)
— Non-controlling interest		(11)	—
		20,284	(9,948)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the six months ended 30 September 2017

		Six months ended 30 September	
		2017	**2016**
	Notes	*HK$'000*	*HK$'000*
		(Unaudited)	(Unaudited)
Earnings/(loss) per share from continuing and discontinued operations			
— Basic and diluted	*8*	HK2.8 cents	HK(0.8) cents
Loss per share from continuing operations			
— Basic and diluted	*8*	HK(0.7) cents	HK(0.8) cents
Earnings/(loss) per share from discontinued operations			
— Basic and diluted	*8*	HK3.5 cents	HK(0.1) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2017

	Notes	**30 September 2017** *HK$'000* (Unaudited)	**31 March 2017** *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	3,583	5,799
Investment property	*9*	8,968	4,391
Long-term prepaid rentals		—	1,093
Available-for-sale financial assets		15,000	16,583
Goodwill		5,092	5,092
Interest in an associate		1,835	2,068
Total non-current assets		34,478	35,026
CURRENT ASSETS			
Inventories		10,639	14,946
Biological assets		—	699
Current portion of long-term prepaid rentals		—	95
Trade receivables	*10*	42,978	37,186
Prepayments, deposits and other receivables		3,528	6,252
Financial asset at fair value through profit or loss		—	600
Tax recoverable		10	157
Due from related companies		44	34
Cash and cash equivalents	*11*	6,838	8,738
Total current assets		64,037	68,707
CURRENT LIABILITIES			
Trade payables	*12*	880	3,859
Other payables and accruals		2,159	5,882
Due to non-executive Directors		—	668
Due to an ultimate holding company		10	142
Due to de-consolidated subsidiaries		—	18,322
Total current liabilities		3,049	28,873

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
As at 30 September 2017

	Notes	30 September 2017 HK$'000 (Unaudited)	31 March 2017 HK$'000 (Audited)
NET CURRENT ASSETS		60,988	39,834
TOTAL ASSETS LESS CURRENT LIABILITIES		95,466	74,860
NON-CURRENT LIABILITY			
Deferred tax liability		—	169
NET ASSETS		95,466	74,691
Capital and reserve			
Share capital	13	121,096	120,826
Reserves		(25,630)	(46,100)
		95,466	74,726
Equity attributable to owners of the Company			
Non-controlling interest		—	(35)
TOTAL EQUITY		95,466	74,691

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium account HK$'000	Statutory reserve fund HK$'000 (note a)	Available-for-sale financial assets equity reserve HK$'000 (note b)	Foreign currency translation reserve HK$'000 (note c)	Share option reserve HK$'000	Accumulated losses HK$'000	Sub-total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
As at 1 April 2017 (audited)	120,826	479,598	3,349	1,583	11,922	316	(542,868)	74,726	(35)	74,691
Loss for the period (unaudited)	—	—	—	—	—	—	33,835	33,835	(11)	33,824
Other comprehensive income/ (expenses) for the period (unaudited):										
Foreign currency translation arising on translation of foreign operations:										
Foreign currency translation arising during the period	—	—	—	—	1,113	—	—	1,113	—	1,113
Share of foreign currency translation reserve of an associate	—	—	—	—	99	—	—	99	—	99
Reclassification adjustments relating to foreign operations disposed of during the period	—	—	—	—	(13,169)	—	—	(13,169)	—	(13,169)
Net loss on revaluation of available-for-sale financial assets	—	—	—	(1,583)	—	—	—	(1,583)	—	(1,583)
Total comprehensive (expenses)/income for the period (unaudited)	—	—	—	(1,583)	(11,957)	—	33,835	20,295	(11)	20,284
Exercise of share options	270	491	—	—	—	(316)	—	445	—	445
Disposal of subsidiaries	—	—	(3,348)	—	—	—	3,348	—	46	46
As at 30 September 2017 (unaudited)	121,096	480,089	1	—	(35)	—	(505,685)	95,466	—	95,466

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the six months ended 30 September 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	Accumulated losses	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(note a)	*(note b)*	*(note c)*			
As at 1 April 2016 (audited)	109,536	455,438	3,349	6,760	14,766	316	(519,211)	70,954
Loss for the period (unaudited)	—	—	—	—	—	—	(9,289)	(9,289)
Other comprehensive expense for the period (unaudited):								
Foreign currency translation arising on translation of foreign operations:								
Exchange differences on translation of foreign operations (unaudited)	—	—	—	—	(659)	—	—	(659)
Total comprehensive expense for the period (unaudited)	—	—	—	—	(659)	—	(9,289)	(9,948)
As at 30 September 2016 (unaudited)	109,536	455,438	3,349	6,760	14,107	316	(528,500)	61,006

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the six months ended 30 September 2017

Notes:

(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 the foreign operations.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 September 2017

	Six months ended 30 September	
	2017	**2016**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash used in operating activities	(13,622)	(2,146)
Tax refund/(paid)	158	(140)
Net cash used in operating activities	(13,464)	(2,286)
Cash flows from investing activities		
Net cash inflow from disposal of subsidiaries	14,063	—
Net cash outflow from acquisition of subsidiaries	—	(9,257)
Prepayment of long-term rentals	—	(1,032)
Payment of construction costs for investment property	(4,942)	—
Other cash flows generated from investing activities	405	6
Net cash generated from/(used in) investing activities	9,526	(10,283)
Cash flows from financing activity		
Exercise of share options	445	—
Net cash generated from financing activity	445	—
Net decrease in cash and cash equivalents	(3,493)	(12,569)
Cash and cash equivalents at beginning of the reporting period	8,738	28,761
Effect of foreign exchange rate changes, net	1,593	(659)
Cash and cash equivalents at end of the reporting period	6,838	15,533
Analysis of cash and cash equivalents:		
Cash and bank balances	6,838	15,533

Notes:

1. ORGANISATION AND PRINCIPAL ACTIVITY

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 in Hong Kong is Unit 715, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the GEM.

These unaudited consolidated results 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 as their functional currency.

2. BASIS OF PREPARATION

The Group's unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all individual HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. In addition, the unaudited consolidated results include applicable disclosures required by the GEM Listing Rules. The measurement basis used in the preparation of the unaudited consolidated results is the historical cost convention, except for the available-for-sale financial assets and financial assets at fair value through profit or loss which have been measured at fair value.

The accounting policies applied in the preparation of the unaudited consolidated results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2017, except that the Group has adopted a number of new and amendments to HKFRSs, which are newly effective for the period under review. The adoption of these new and amendments to HKFRSs had no material effect on the financial results of the current periods. Accordingly, no change in significant accounting policies and no prior period adjustment is required.

The Group has not applied any new and amendments to HKFRSs that have been issued but are not yet effective for the current accounting period.

The unaudited consolidated results have not been audited but have been reviewed by the audit committee of the Company ("Audit Committee").

3. OPERATING SEGMENT INFORMATION

The Group's operating activities are currently attributable to three operating segments focusing on trading and retailing of jewelry ("Jewelry Business"), money lending ("Lending Business") and trading and distributing pharmaceutical and healthcare products ("Pharmaceutical Business"). 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 maker 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:

- Jewelry Business
- Lending Business
- Pharmaceutical Business

3. OPERATING SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results from continuing operations:

For the six months ended 30 September 2017	Jewelry Business	Lending Business	Pharmaceutical Business	Consolidation
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE				
External sales	15,829	1,574	6,318	23,721
RESULTS				
Segment results (loss)/profit	(978)	543	(4,184)	(4,619)
Unallocated income and expenses				12,565
Profit before tax				7,946

For the six months ended 30 September 2016	Jewelry Business	Lending Business	Pharmaceutical Business	Consolidation
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUE				
External sales	2,837	1,743	3,635	8,215
RESULTS				
Segment results (loss)/profit	(1,095)	1,004	(1,068)	(1,159)
Unallocated income and expenses				(7,095)
Loss before tax				(8,254)

Segment (loss)/profit represents the (loss suffered)/profit by each segment without allocation of central administration costs, certain other income and gains and other expenses. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

3. OPERATING SEGMENT INFORMATION *(Continued)*

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

	30 September 2017 *HK$'000* (Unaudited)	**31 March 2017** *HK$'000* (Audited)
SEGMENT ASSETS		
Jewelry Business	20,603	17,324
Lending Business	37,645	40,179
Pharmaceutical Business	24,406	36,705
Segment assets from continuing operations	82,654	94,208
Assets related to discontinued operation	—	1,214
Unallocated assets	15,861	8,311
Total assets	98,515	103,733
SEGMENT LIABILITIES		
Jewelry Business	895	884
Lending business	47	72
Pharmaceutical Business	1,641	2,095
Segment liabilities from continuing operations	2,583	3,051
Liabilities related to discontinued operation	—	23,558
Unallocated liabilities	466	2,433
Total liabilities	3,049	29,042

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

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

- all liabilities are allocated to operating segments other than liabilities of the respective head offices from continuing operation.

4. REVENUE

Revenue represents the invoiced value of goods sold and services rendered during the periods.

5. LOSS BEFORE TAX

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

	Six months ended 30 September	
	2017	**2016**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	1,887	507
Minimum lease payments under operating leases in respect of land and buildings	1,171	2,543
Employee benefits expense	4,206	4,154
Investment income	—	(174)

6. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2017. Hong Kong Profits Tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 September 2017. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	Six months ended 30 September	
	2017	**2016**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current — Hong Kong:		
Charge for the period	—	33
Total tax charged for the period	—	33

7. DISCONTINUED OPERATION

On 2 June 2017, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of Prosten (BVI) Limited and its subsidiaries, which is principally engaged in wireless value-added services operation ("Wireless Value-added Business"). The disposal of the Wireless Value-added Business is consistent with the Group's long-term policy to focus its activities on the Group's other operations. The disposal was completed on 5 June 2017, on which date the control of Prosten (BVI) Limited passed to the acquirer.

Profit/(loss) for the period from the discontinued operation is analysed as follows:

	Period from 1 April 2017 to respective date of disposal of subsidiaries	**For the six months 30 September 2016**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period from Wireless Value-added Business	(65)	(1,002)
Gain on disposal of Wireless Value-added Business	41,835	—
Profit/(loss) for the period from discontinued operation attributable to owners of the Company	41,770	(1,002)

Loss of the Wireless Value-added Business for the period, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period from 1 April 2017 to respective date of disposal of subsidiaries	**For the six months 30 September 2016**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	—	—
Other income and gains	—	6
Administrative expenses	(65)	(1,008)
Loss before tax	(65)	(1,002)
Income tax expense	—	—
Loss for the period from discontinued operation	(65)	(1,002)

7. **DISCONTINUED OPERATION** *(Continued)*

Loss for the period from discontinued operation has been arrived at after charging:

	Period from 1 April 2017 to respective date of disposal of subsidiaries	**For the six months 30 September 2016**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	6	31

Cash flows of the discontinued operation for the period were as follows:

	Period from 1 April 2017 to respective date of disposal of subsidiaries	**For the six months 30 September 2016**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	(565)	(53,010)
Net cash inflow from investing activities	591	—
Net cash outflow from financing activities	—	—
Net cash inflow/(outflow)	26	(53,010)

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share from continuing and discontinued operations for the six months ended 30 September 2017 is based on the unaudited profit for the period attributable to owners of the Company of approximately HK$33,835,000 (2016: loss of HK$9,289,000) and the weighted average number of ordinary shares of approximately 1,209,769,000 for the six months ended 30 September 2017 (2016: 1,095,361,000).

The calculation of basic loss per share from continuing operations for the six months ended 30 September 2017 is based on the unaudited loss from continuing operations for the period attributable to owners of the Company of approximately HK$7,935,000 (2016: HK$8,287,000).

The calculation of basic earnings per share from discontinued operation for the six months ended 30 September 2017 is based on the unaudited profit from discontinued operation for the period attributable to owners of the Company of approximately HK$41,770,000 (2016: loss of HK$1,002,000).

The weighted average number of ordinary shares used are same as those described above for the calculation of basic loss per share from continuing operations and the basic earnings per share from discontinued operation.

As there were no dilutive potential equity shares in existence as at 30 September 2017 and 2016, the basic and diluted earning/(loss) per share were the same for the periods.

9. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

During the six months ended 30 September 2017, the Group acquired items of property, plant and equipment with the amounts of approximately HK$176,000 (for the six months ended 30 September 2016: HK$230,000) and payments to investment property under construction of HK$4,942,000 (for the six months ended 30 September 2016: HK$nil).

10. TRADE RECEIVABLES

	30 September 2017 *HK$'000* (Unaudited)	**31 March 2017** *HK$'000* (Audited)
Trade receivables, gross	6,983	4,211
Impairment allowances	—	(1,397)
Loans receivables	35,995	34,372
Trade receivables, net	42,978	37,186

Loans receivables represent loans to individuals which are unsecured and carry interest from 10% to 24% per annum. As at 30 September 2017 and at 31 March 2017, all loans receivables have lending terms from 6 months to one year but contained a repayable on demand clause. The aggregated principal amount outstanding at the end of the reporting period is HK$35,000,000 (at 31 March 2017: HK$33,000,000) and the balance includes interest receivable of HK$995,000 (at 31 March 2017: HK$1,372,000).

10. TRADE RECEIVABLES *(Continued)*

An aged analysis of the Group's trade receivables, net of impairment allowances, based on the date of invoice, is as follows:

	30 September 2017 *HK$'000* (Unaudited)	**31 March 2017** *HK$'000* (Audited)
Within three months	16,308	7,768
4 to 6 months	13,580	15,729
7 to 12 months	13,090	—
Over 1 year	—	13,689
Trade receivables, net	42,978	37,186

The Group does not hold any collateral or other credit enhancements over these balances.

11. CASH AND CASH EQUIVALENTS

	30 September 2017 *HK$'000* (Unaudited)	**31 March 2017** *HK$'000* (Audited)
Cash and bank balances	6,838	8,638
Time deposit	—	100
	6,838	8,738

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits were made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The deposits at banks are deposited with creditworthy banks with no recent history of default.

12. TRADE PAYABLES

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

	30 September 2017	**31 March 2017**
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within three months	827	1,309
4 to 6 months	4	17
7 to 12 months	49	—
Over 1 year	—	2,533
	880	3,859

13. SHARE CAPITAL

	30 September 2017		**31 March 2017**	
	Number of shares		**Number of shares**	
	'000	*HK$'000*	*'000*	*HK$'000*
	(Unaudited)		(Audited)	
Authorised:				
Ordinary shares of HK$0.10 (31 March 2017: HK$0.10) each	2,500,000	250,000	2,500,000	250,000
Issued and fully paid:				
Ordinary shares of HK$0.10 (31 March 2017: HK$0.10) each				
At beginning of period/year	1,208,264	120,826	1,095,361	109,536
Exercise of share options	2,700	270	—	—
Issue of shares upon conversion of the convertible note	—	—	112,903	11,290
At end of period/year	1,210,964	121,096	1,208,264	120,826

14. DISPOSAL OF SUBSIDIARIES

Prosten (BVI) Limited

On 2 June 2017, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of Prosten (BVI) Limited and its subsidiaries which is principally engaged in the Wireless Value-added Business, and a shareholder loan with amounts of approximately HK$8,151,000 at a consideration of HK$4,600,000. The disposal was completed on 5 June 2017.

	HK$'000
Consideration transferred:	
Cash consideration	4,600

Analysis of assets and liabilities over which control was lost

	HK$'000
Property, plant and equipment	960
Prepayments, deposits and other receivables	74
Cash and cash equivalents	92
Trade payables	(2,703)
Other payables and accruals	(3,939)
Amount due to de-consolidated former subsidiaries	(18,155)
Amount due to ultimate holding company	(8,151)
Tax payable	(12)
Deferred tax liabilities	(169)
Net liabilities disposed of	(32,003)

Gain on disposal of subsidiaries:

Consideration	4,600
Net liabilities disposed of	32,003
Amount due to ultimate holding company assigned to the purchaser	(8,151)
Release of foreign currency translation reserve upon disposal of subsidiaries	13,383
	41,835

Net cash inflow arising on disposal of Prosten (BVI) Limited:

Cash consideration received	4,600
Less: cash and cash equivalents disposed of	(92)
Net cash inflow	4,508

14. DISPOSAL OF SUBSIDIARIES *(Continued)*

Prosten Wealth Investment Limited

On 8 June 2017, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of Prosten Wealth Investment Limited and its subsidiaries which is principally engaged in money lending business, and a shareholder loan with amounts of approximately HK$100,000 at a consideration of approximately HK$1,480,000. The disposal was completed on 15 June 2017.

	HK$'000
Consideration transferred:	
Cash consideration	1,480

Analysis of assets and liabilities over which control was lost

	HK$'000
Cash and cash equivalents	402
Amount due to immediate holding company	(100)
Net assets disposed of	302

Gain on disposal of subsidiaries:

Consideration	1,480
Net assets disposed of	(302)
Amount due to immediate holding company assigned to the purchaser	(100)
	1,078

Net cash inflow arising on disposal of Prosten Wealth Investment Limited:

Cash consideration received	1,480
Less: cash and cash equivalents disposed of	(402)
Net cash inflow	1,078

14. DISPOSAL OF SUBSIDIARIES *(Continued)*

Meteor Investment (HK) Limited

On 26 July 2017, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of Meteor Investment (HK) Limited and its subsidiaries which is principally engaged in money lending business, and a shareholder loan with amounts of approximately HK$11,311,000 at a consideration of HK$9,000,000. The disposal was completed on 14 August 2017.

	HK$'000
Consideration transferred:	
Cash consideration	9,000

Analysis of assets and liabilities over which control was lost

	HK$'000
Property, plant and equipment	117
Long-term prepaid rentals	1,188
Biological assets	728
Inventories	5,414
Prepayments, deposits and other receivables	485
Cash and cash equivalents	523
Other payables and accruals	(8)
Amount due to immediate holding company	(11,311)
Net liabilities disposed of	(2,864)

Gain on disposal of subsidiaries:	
Consideration	9,000
Net liabilities disposed of	2,864
Amount due to immediate holding company assigned to the purchaser	(11,311)
Release of foreign currency translation reserve upon disposal of subsidiaries	(214)
Non-controlling interests	(46)
	293

Net cash inflow arising on disposal of Meteor Investment (HK) Limited:	
Cash consideration received	9,000
Less: cash and cash equivalents disposed of	(523)
Net cash inflow	8,477

15. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	30 September 2017	31 March 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted but not provided for:		
Development expenditure of investment property	8,204	9,295

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial Assets	Fair value at 30 September 2017 (unaudited)	Fair value at 31 March 2017 (audited)	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs
Financial assets at fair value through profit or loss					
— Equity securities listed in Hong Kong	—	600	Level 1	Quoted bid price in an active market	N/A
Available-for-sale financial assets	15,000	16,583	Level 2	Market based approach Key input: price of each similar companies of interest in companies	Price used are derived from a multiple of price to earnings, prices to revenues and price to book

The Group's policy is to recognise transfer into and out of fair value hierarchy at the end of the date of events or change in circumstances that caused the transfer.

During the six months ended 30 September 2017 and year ended 31 March 2017, there were no transfer between Level 1 and Level 2, or transfer into or out of Level 3.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the condensed consolidated financial statements are approximately to their fair values.

17. EVENTS AFTER THE REPORTING PERIOD

Extension of loan receivable

On 25 October 2017, the Group entered into an extension agreement with Mr. Wen Qimin, the borrower, whereby the final repayment date of the loan in the amount of HK$13,000,000 was extended for 2 months and a half from 8 October 2017 to 23 December 2017. Further details were set out in the Company's announcement dated 25 October 2017.

C. Statement of Indebtedness

At the close of business on 31 October 2017, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this Composite Document, the Group has no material outstanding borrowings. Apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 October 2017, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank borrowings and overdrafts, other borrowings or indebtedness in the nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

D. Material Change

Save as disclosed below, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date:

(a) as disclosed in the interim report of the Company for the six months ended 30 September 2017 dated 13 November 2017,

(i) revenue increased by approximately 188.8% to approximately HK$23.7 million as compared to six months ended 30 September 2016 ("**1H2016/17**") which was mainly due to increase in revenue contributed from the Group's Jewelry Business as a result of the commencement of gold jewelry wholesales business during the period and increase in revenue contributed from the Pharmaceutical Business;

(ii) cost of sales increased by approximately 270.7% to HK$19.9 million and gross profit margin decreased from approximately 34.8% to 16.3% as compared to 1H2016/17. The increase in cost of sales was in line with the increase in sales of the Jewelry Business and Pharmaceutical Business. The overall decrease in gross profit margin as compared to 1H2016/17 was mainly due to increase in revenue contributed from the Group's gold jewelry wholesale business whereby the gold jewelry wholesale business has relatively lower gross profit margin during the period;

(iii) gain on disposal of subsidiaries of approximately HK$1.4 million (1H2016/17: nil) and profit for the period from discontinued operations of approximately HK$41.8 million (1H2016/17: loss of approximately HK$1 million) were recognised during the period which were mainly attributable to the disposal of the wireless value-added services (the "**WVAS Business**") on 5 June 2017, details of the disposal were disclosed in the Company's announcement dated 2 June 2017; and

(iv) amounts due to de-consolidated subsidiaries decreased by 100% to nil since the WVAS Business was disposed of during the period. Details of the disposal were disclosed in the Company’s announcement dated 2 June 2017.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Vendors, the Offeror and parties acting in concert with any of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The directors of the First Vendor Chen Weixi and Xu Zhigang jointly and severally accept full responsibility for accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them except where such information also relates to the First Vendor, its ultimate beneficial owner and their respective parties acting in concert with them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The sole director of the Second Vendor Cheng Haiqing accepts full responsibility for accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them except where such information also relates to the Second Vendor, its ultimate beneficial owner and their respective parties acting in concert with them) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The Third Vendor accepts full responsibility for accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them except where such information also relates to the Third Vendor and parties acting in concert with her) and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The directors of the Fourth Vendor Wang Limei and Wang Lelei jointly and severally accept full responsibility for accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them except where such information also relates to the Fourth Vendor, its ultimate beneficial owner and their respective parties acting in concert with them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The sole director of the Fifth Vendor Zhang Yingnan accepts full responsibility for accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them except where such information also relates to the Fifth Vendor, its ultimate beneficial owner and their respective parties acting in concert with them) and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The directors of the Sixth Vendor Cai Fudi and Shen Jing jointly and severally accept full responsibility for accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them except where such information also relates to the Sixth Vendor, its ultimate beneficial owner and their respective parties acting in concert with them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date are as follows:

Authorised		*HK$*
2,500,000,000	Shares of HK$0.10 each	250,000,000.00
Issued and fully paid		
1,210,963,725	Shares of HK$0.10 each	121,096,372.50

Save as disclosed above, as at the Latest Practicable Date, the Company had no outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares.

All Shares in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. The number of Shares in issue as at 31 March 2017, being the date to which the latest audited financial statements of the Group were made up, was 1,208,263,725. On 20 June 2017, the Company has issued 2,700,000 Shares upon the exercise of share options of the Company. Save for that, the Company had not issued any other new Shares since 31 March 2017 until the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

(a) Interests in the Offeror

As at the Latest Practicable Date, none of the Company nor any of its Directors had any interest in the equity share capital or any convertible securities, warrants, options or derivatives of the Offeror, and no such person (including the Company) had dealt in the equity share capital or any convertible securities, warrants, options or derivatives of the Offeror during the Relevant Period.

(b) Directors' interests in the Shares

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required 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 (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions.

(c) Substantial Shareholders' and other persons' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors) held interests in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, or interests and short positions in the Shares and/or underlying Shares which are required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of the Company:

Name of Shareholder	Nature of Interest	Total number of Shares interested	Approximate percentage of shareholding
The Offeror	Beneficial owner	757,506,294	62.55
Mr. Zhang	Interest through controlled operation	757,506,294	62.55

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was aware of any person (other than a Director) who, as at the Latest Practicable Date, had any interests in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company, or interests and short positions in the Shares and/or underlying Shares which are required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of the Company.

(d) Other interests

(i) As at the Latest Practicable Date, no securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company was owned or controlled by a subsidiary of the Company, by a pension fund (if any) of any member of the Group or by an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code.

(ii) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code.

(iii) As at the Latest Practicable Date, no securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company were managed on a discretionary basis by fund managers connected with the Company.

(iv) As at the Latest Practicable Date, none of the Directors had any interests in any Shares, and none of the Directors intended, in respect of their own beneficial shareholdings, to accept or reject the Offer.

(v) As at the Latest Practicable Date, there were no securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which the Company and any Directors had borrowed or lent.

(vi) During the Relevant Period, save for the Sale and Purchase Agreement, none of the Directors had dealt in any securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(vii) During the Relevant Period, the Company did not deal in any securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror.

5. LITIGATION

As at the Latest Practicable Date, none of the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

6. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) which have been entered into by any member of the Group after the date falling two years before commencement of the Offer Period up to and including the Latest Practicable Date.

1) On 19 February 2016, One China Securities Limited (the "**Placing Agent**") and the Company entered into the placing agreement pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, in aggregate up to 159,848,000 placing Shares at a placing price of HK$0.31 per placing share to not less than six placees who and whose ultimate beneficial owners will be third parties independent of the Company and not connected nor acting in concert with any of the connected persons of the Company or any of their respective associates;

2) On 21 March 2016, SZ Enterprise Union Finance Limited, an indirect wholly-owned subsidiary of the Company, entered into the loan agreement A with Mr. WU, Yu Zhao and the loan agreement B with Mr. XU, Wei Qiang, pursuant to which SZ Enterprise Union Finance Limited has agreed to lend to each of Mr. WU, Yu Zhao and Mr. XU, Wei Qiang a term loan in the principal amount of HK$13 million, in aggregate amounting to HK$26 million, both at the interest rate of 10% per annum and due on 21 September 2016;

3) On 22 April 2016, SZ Enterprise Union Finance Limited, an indirect wholly-owned subsidiary of the Company, entered into the loan agreement with Mr. Yu Shaoheng, pursuant to which SZ Enterprise Union Finance Limited has agreed to lend to Mr. Yu Shaoheng a term loan in the principal amount of HK$6 million at the interest rate of 10% per annum and due on 21 October 2016;

4) On 31 May 2016, the Company and Dragon Fortune Group Holdings Limited entered into the subscription agreement pursuant to which Dragon Fortune Group Holdings Limited agreed to subscribe for, and the Company agreed to issue, the convertible note in the aggregate principal amount of HK$35 million at the interest rate of 6% per annum and due on the first anniversary of the date of issue of convertible note;

5) On 31 May 2016, Prosten Medical Investment Limited, a direct wholly-owned subsidiary of the Company and Yu Wai Achieve Grand Development Limited and Ms. Liang Qiao Ling as guarantor entered into an acquisition agreement, pursuant to which Prosten Medical Investment Limited conditionally agreed to purchase and the Yu Wai Achieve Grand Development Limited conditionally agreed to sell the entire issue share capital of the Sino Yao Shang Technology Limited, and the sale loan amounting to approximately HK$11.9 million, at the aggregate consideration of HK$14.38 million;

6) On 30 June 2016, Prosten Medical Investment Limited, Yu Wai Achieve Grand Development Limited and Ms. Liang Qiao Ling entered into a supplemental agreement to extend the long stop date for fulfillment of the conditions precedent under the acquisition agreement from 30 June 2016 to 31 July 2016 (or such other date as the parties may agree in writing);

7) On 29 July 2016, as additional time is required for fulfillment of the conditions precedent under the acquisition agreement, Prosten Medical Investment Limited, Yu Wai Achieve Grand Development Limited and Ms. Liang Qiao Ling entered into the second supplemental agreement on 29 July 2016 to further extend the long stop date of the acquisition from 31 July 2016 to 15 September 2016 (or such other date as the parties may agree in writing);

   On 29 July 2016, as additional time is required for fulfillment of the conditions precedent under the subscription agreement, the Company and Dragon Fortune Group Holdings entered into a supplemental agreement on 29 July 2016 to extend the long stop date of the subscription from 31 July 2016 to 15 September 2016 (or such other date as the parties may agree in writing);

8) On 23 August 2016, Prosten Medical Investment Limited, Yu Wai Achieve Grand Development Limited and Ms. Liang Qiao Ling entered into the third supplemental agreement on 23 August 2016, pursuant to which the parties agreed to reduce the consideration for the acquisition from HK$14.38 million to HK$9.3 million, in which (i) HK$5 million had been paid as a refundable deposit; and (ii) the remaining of HK$4.3 million payable within 60 days from the completion of the acquisition;

9) On 14 September 2016, the Company and Dragon Fortune Group Holdings Limited entered into the second supplemental agreement on 14 September 2016 to extend the long stop date of the subscription from 15 September 2016 to 31 October 2016 (or such other date as the parties may agree in writing);

10) On 20 September 2016, SZ Enterprise Union Finance Limited entered into the extension agreement with Mr. Xu Weiqiang whereby the final repayment date of the loan in the amount of HK$13 million was extended for 6 months from 21 September 2016 to 21 March 2017;

11) On 21 October 2016, SZ Enterprise Union Finance Limited entered into the extension agreement with Mr. Yu Shaoheng whereby the final repayment date of the loan in the amount of HK$6 million was extended for 2 months from 21 October 2016 to 21 December 2016;

12) On 8 November 2016, SZ Enterprise Union Finance Limited, an indirect wholly-owned subsidiary of the Company, entered into the loan agreement with Mr. Wen Qimin, pursuant to which SZ Enterprise Union Finance Limited has agreed to lend to Mr. Wen Qimin a term loan in the principal amount of HK$13 million;

13) On 13 December 2016, Prosten E-Business Investment Limited, a direct wholly-owned subsidiary of the Company, entered into the agreement with Native Hope Limited and Mr. LAI Huamin as vendor's guarantor, whereby Native Hope Limited agreed to sell and Prosten E-Business Investment Limited agreed to purchase the entire issued share capital of King Win Intelligent Technologies Limited and the sale loan of approximately HK$11.4 million for a total consideration of HK$10.6 million subject to the terms and conditions of the agreement;

14) On 23 December 2016, SZ Enterprise Union Finance Limited entered into extension agreement II with Mr. Yu Shaoheng whereby the final repayment date of the loan in the amount of HK$6 million was further extended for one month from 21 December 2016 to 21 January 2017;

15) On 25 January 2017, SZ Enterprise Union Finance Limited, an indirect wholly-owned subsidiary of the Company, entered into the loan agreement with Mr. Chen Tianju, pursuant to which SZ Enterprise Union Finance Limited has agreed to lend to Mr. Chen Tianju a term loan in the principal amount of HK$10 million;

16) On 8 May 2017, SZ Enterprise Union Finance Limited entered into the extension agreement with Mr. Wen Qimin whereby the final repayment date of the loan in the amount of HK$13 million was extended for 5 months from 8 May 2017 to 8 October 2017;

17) On 2 June 2017, SZ Enterprise Union Finance Limited, an indirect wholly-owned subsidiary of the Company, entered into the new loan agreement with Chen Tianju, pursuant to which SZ Enterprise Union Finance Limited has agreed to lend to Chen Tianju a term loan in the principal amount of HK$6 million;

18) On 2 June 2017, the Company and Ms. Feng Tingting entered into the disposal agreement, pursuant to which the Company has agreed to sell and Ms. Feng Tingting has agreed to acquire the entire issued share capital of Prosten (BVI) Limited and the sale loan of approximately HK$8.1 million at the consideration of HK$4.6 million;

19) On 26 July 2017, Meteor Storm Holdings Limited, an indirect wholly-owned subsidiary of the Company, and Mr. Zhang Xiaozheng entered into the disposal agreement, pursuant to which Meteor Storm Holdings Limited has agreed to sell and Mr. Zhang Xiaozheng has agreed to acquire the entire issued share capital of Meteor Investment (H.K.) Limited and the sale loan of approximately HK$10.9 million at the consideration of HK$9 million; and

20) On 25 October 2017, SZ Enterprise Union Finance Limited entered into the extension agreement II with Mr. Wen Qimin whereby the final repayment date of the loan in the amount of HK$13 million was extended for two and a half months from 8 October 2017 to 23 December 2017 and the interest rate was increased form 10% per annum to 13% per annum effective from 9 October 2017.

Note:

For further details, please refer to the relevant announcements published by the Company.

7. EXPERTS AND CONSENTS

The following are the qualification of the experts contained in this Composite Document:

Name	Qualification
Kingston Corporate Finance Limited	a corporate licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO
INCU Corporate Finance Limited	a corporate licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above expert has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion herein of its letter, report and/or references to its name, in the form and context in which it is included.

8. ADDITIONAL DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, no benefit (other than statutory compensation) would be given to any Directors as compensation for loss of office or otherwise in connection with the Offer.

(b) As at the Latest Practicable Date, there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Offer or otherwise connected with the Offer.

(c) As at the Latest Practicable Date, save for the Sale and Purchase Agreement, there was no material contract entered into by the Offeror and parties acting in concert with it in which any Director had a material personal interest.

9. DIRECTORS' SERVICE CONTRACTS

Mr. Chen Weixi, a non-executive Director, has entered into a letter of appointment on 26 June 2017 for a term of one year commencing from 25 June 2017 to 24 June 2018, subject to retirement by rotation and re-election at the general meeting in accordance with the Articles of Association of the Company. Pursuant to the letter of appointment, Mr. Chen Weixi is entitled to an annual fixed salary of HK$360,000. He is not entitled for any variable remuneration from the Group.

Each of Mr. Lam Kwok Cheong and Mr. Xu Xiaoping, an independent non-executive Director has entered into a letter of appointment on 26 June 2017 for a fixed term of one year, commencing from 25 June 2017, subject to retirement by rotation and re-election at the general meeting in accordance with the Articles of Association of the Company. Pursuant to the letter of appointments, each of Mr. Lam Kwok Cheong and Mr. Xu Xiaoping is entitled to an annual fixed director's fee of HK$120,000. Each of Mr. Lam Kwok Cheong and Mr. Xu Xiaoping is not entitled for any variable remuneration from the Group.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries or associated companies, which: (i) (including both continuous and fixed term contracts) have been entered into or amended within six months before the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period.

10. MISCELLANEOUS

(a) The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is located at Unit 715, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong.

(c) The company secretary of the Company is Ms. Wu Weilan who is a Certified Public Accountant in the United States of America.

(d) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (from 10:00 a.m. to 12:30 p.m. and from 2:30 p.m. to 5:30 p.m.) on any weekday (except for public holidays) at the principal place of business of the Company in Hong Kong from the date of this Composite Document until the end of the Offer Period and will be displayed on the website of the SFC (www.sfc.hk) and the website of the Company (www.prosten.com):

(a) the articles of association of the Company;

(b) the letter from the Board as set out on pages 15 to 20 of this Composite Document;

(c) the letter from the Independent Board Committee as set out on pages 21 to 22 of this Composite Document;

(d) the letter from the Independent Financial Adviser as set out on pages 23 to 46 of this Composite Document;

(e) the material contracts referred to in the paragraph headed "Material contracts" in this Appendix;

(f) the written consents referred to in the paragraph headed "Experts and consents" in this Appendix;

(g) the service contracts as referred to in the paragraph headed "Directors' Service Contracts" in this Appendix;

(h) the annual reports of the Company for each of the two financial years ended 31 March 2016 and 2017;

(i) the interim report of the Company for the six months ended 30 September 2017; and

(j) this Composite Document.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information to the Shareholders with regard to the Offeror and the Offer.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, the Vendors and their respective associates and parties acting in concert with it), and confirms, having made all reasonable enquires, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Group, the Vendors and their respective associates and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The directors of the First Vendor Chen Weixi and Xu Zhigang jointly and severally accept full responsibility for accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them except where such information also relates to the First Vendor, its ultimate beneficial owner and their respective parties acting in concert with them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The sole director of the Second Vendor Cheng Haiqing accepts full responsibility for accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them except where such information also relates to the Second Vendor, its ultimate beneficial owner and their respective parties acting in concert with them) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The Third Vendor accepts full responsibility for accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them except where such information also relates to the Third Vendor and parties acting in concert with her) and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The directors of the Fourth Vendor Wang Limei and Wang Lelei jointly and severally accept full responsibility for accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them except where such information also relates to the Fourth Vendor, its ultimate beneficial owner and their respective parties acting in concert with them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The sole director of the Fifth Vendor Zhang Yingnan accepts full responsibility for accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them except where such information also relates to the Fifth Vendor, its ultimate beneficial owner and their respective parties acting in concert with them) and confirms, having made all reasonable enquiries, that to the best of her knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

The directors of the Sixth Vendor Cai Fudi and Shen Jing jointly and severally accept full responsibility for accuracy of the information contained in this Composite Document (other than the information relating to the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them except where such information also relates to the Sixth Vendor, its ultimate beneficial owner and their respective parties acting in concert with them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror, the Group, the other Vendors and their respective associates and parties acting in concert with them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. MARKET PRICES

The table below shows, based on publicly available information of the Company, the closing price of the Shares quoted on the GEM on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price per Share *(HK$)*
31 May 2017	0.31
30 June 2017	0.241
31 July 2017	0.235
31 August 2017	0.218
29 September 2017	0.225
31 October 2017	0.32
28 November 2017 (Last Trading Day)	0.41
30 November 2017 (Trading in the Shares was halted pending the release of the Joint Announcement)	0.41
29 December 2017	0.30
Latest Practicable Date	0.295

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$0.41 per Share on 28 November 2017 and HK$0.217 per Share on 1 September 2017 respectively.

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the Offeror held 757,306,294 Shares, representing approximately 62.55% of the total issued share capital of the Company. Save as disclosed below, the Offeror and parties acting in concert with it do not have any other interests in the share capital or voting rights of the Company:

		Number of Shares		Approximate percentage of holding	
Name of Shareholders	Capacity	Long Position	Short Position	Long Position	Short Position
The Offeror	Beneficial Owner	757,306,294	—	62.55%	—
Mr. Zhang	Interest of controlled corporation	757,306,294	—	62.55%	—

Note: The Offeror is beneficially owned as to 80% by Mr. Zhang and as to 20% by Source Mega Limited (as a nominee of Ms. Zhang).

4. DEALINGS IN SECURITIES

Save for the transactions under the Sale and Purchase Agreement and the acquisition of 463,229,675 Shares from the Second Vendor, the Third Vendor, the Fourth Vendor, the Fifth Vendor and the Sixth Vendor, none of the Offeror nor its concert parties had dealt for value in any relevant securities of the Company as defined in Note 4 to Rule 22 of the Takeovers Code during the Relevant Period and up to the Latest Practicable Date.

5. OTHER ARRANGEMENTS

As at the Latest Practicable Date:

(a) save for the 757,306,294 Shares held by the Offeror, none of the Offeror and parties acting in concert with it owns, has control, or direction over any voting rights or rights over Shares or convertible securities, warrants, options of the Company or derivatives of the Company;

(b) save as disclosed in the paragraph headed "4. Dealings in Securities" above, the directors of the Offeror did not have any interests in any Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities, or had dealt for value in any Shares, convertible securities, warrants, options of the Company or any derivatives in respect of such securities;

(c) none of the Offeror and parties acting in concert with it has borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company;

(d) no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code existed between the Offeror or any parties acting in concert with it and any other person;

(e) as at the Latest Practicable Date, no arrangement of any kind referred to in Note 8 to Rule 22 of the Takeovers Code exists between a person who owned or controlled Shares or convertible securities, warrants, options or derivatives of the Company and the Offeror or any parties acting in concert with it or the Offeror's associates (as defined under the Takeovers Code);

(f) as at the Latest Practicable Date, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Offeror, parties acting in concert with it and the Company which might be material to the Offer;

(g) there is no agreement or arrangement to which the Offeror or parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a precondition or condition to the Offer;

(h) no benefit (other than statutory compensation required under the applicable laws) had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offer;

(i) no agreement, arrangement or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any of the Directors, recent Directors, and Shareholders or recent Shareholders which had any connection with or dependence upon the Offer; and

(j) none of the Offeror and parties acting in concert with it has received any irrevocable commitment(s) to accept or reject the Offer.

6. CONSENTS AND QUALIFICATIONS

(a) The following are the qualifications of the experts who have given opinions or advice which are contained in this Composite Document:

Name	**Qualification**
Eternal Pearl	a licensed corporation to carry out type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activity under the SFO, being the agent making the Offer on behalf of the Offeror
Odysseus	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being one of the financial adviser to the Offeror in respect of the Offer

(b) Each of Eternal Pearl and Odysseus has given and has not withdrawn their respective written consents to the issue of this Composite Document with the inclusion of their respective advice, letters and/or reports (as the case may be) and references to their names and logos in the form and context in which they respectively appear.

7. GENERAL

(a) The registered office of the Offeror is Room 306, Victoria House, Victoria, Mahé, Seychelles.

(b) The Offeror is a company incorporated in the Republic of Seychelles on 4 January 2017 with limited liability which is beneficially owned as to 80% by Mr. Zhang and as to 20% by Source Mega Limited (as a nominee of Ms. Zhang). The principal activity of the Offeror is investment holding. As at the Latest Practicable Date, the Offeror held a total of 757,506,294 Shares, representing approximately 62.55% of the entire issued share capital of the Company.

(c) As at the date of this Composite Document, the directors of the Offeror are Mr. Zhang and Ms. Zhang.

(d) The registered office of Eternal Pearl is situated at 19/F, 88 Gloucester Road, Wan Chai, Hong Kong.

(e) The registered office of Odysseus is situated at Suite 7B, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong.

(f) The correspondence address of Mr. Zhang and Ms. Zhang is 2002, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on the SFC's website at http://www.sfc.hk and the website of the Company at http://www.prosten.com from the date of this Composite Document for as long as the Offer remain open for acceptance:

(a) the memorandum and articles of association of the Offeror;

(b) the "Letter from Eternal Pearl", the text of which is set out on pages 6 to 14 of this Composite Document; and

(c) the letters of consent from Eternal Pearl and Odysseus referred to in the paragraph headed "6. Consent and qualifications" in this Appendix.