
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offers, this Composite Document and/or the Form(s) 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 otherwise transferred all your shares in Prosten Technology Holdings Limited, you should at once hand this Composite Document and the Form(s) 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).

This Composite Document should be read in conjunction with the accompanying Form(s) of Acceptance, the contents of which form part of the terms of the Offers contained herein.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and Form(s) of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the Form(s) of Acceptance.



DYNAMIC PEAK LIMITED
(incorporated in the British Virgin Islands with limited liability)

**PROSTEN TECHNOLOGY
HOLDINGS LIMITED**
長達科技控股有限公司*
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8026)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO CONDITIONAL MANDATORY CASH OFFERS BY



**FOR AND ON BEHALF OF DYNAMIC PEAK LIMITED FOR ALL
THE ISSUED SHARES (OTHER THAN THOSE ALREADY OWNED
BY DYNAMIC PEAK LIMITED AND PARTIES ACTING
IN CONCERT WITH IT) IN, AND THE CANCELLATION OF
ALL OUTSTANDING SHARE OPTIONS OF,
PROSTEN TECHNOLOGY HOLDINGS LIMITED**

Financial adviser to Dynamic Peak Limited



KINGSTON CORPORATE FINANCE LTD.

Independent Financial Adviser to the Independent Board Committee



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 One China Securities containing, among other things, the details of the terms of the Offers are set out on pages 8 to 22 of this Composite Document.

A letter from the Board is set out on pages 23 to 33 of this Composite Document.

A letter from the Independent Board Committee containing its advice to the Independent Shareholders and Optionholders is set out on pages 34 to 35 of this Composite Document.

A letter from the Independent Financial Adviser containing its opinion on the Offers and its recommendation to the Independent Board Committee is set out on pages 36 to 55 of this Composite Document.

The procedures for acceptance and other related information of the Offers are set out in Appendix I to this Composite Document and in the accompanying Forms of Acceptance. Acceptances of the Offers should be received by the Registrar by no later than 4:00 p.m. on Thursday, 16 July 2015 or such later time(s) and/or date(s) as the Offeror may determine and announce, with the consent of the Executive, in accordance with the requirements under the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Forms of Acceptance to any jurisdiction outside Hong Kong should read the details which are contained in the paragraph headed "Overseas Shareholders and overseas Optionholders" of "Letter from One China Securities" of this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder and overseas Optionholder wishing to accept the Offers to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Each Overseas Shareholder and overseas Optionholder is advised to seek professional advice on deciding whether or not to accept the Offers.

This Composite Document will remain on the website of the Stock Exchange at www.hkgem.com and the website of the Company at www.prosten.com.

* For identification purpose only

CHARACTERISTIC OF GEM

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

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

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EXPECTED TIMETABLE

The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and the Company. All time and date references contained in this Composite Document refer to Hong Kong time and dates.

Despatch date of this Composite Document and the accompanying Form(s) of
Acceptance and the commencement of the Offers (*Note 1*) Thursday,
25 June 2015

Latest time and date for acceptance of
the Offers on the First Closing Date (*Note 2*) by 4:00 p.m. on
Thursday,
16 July 2015

First Closing Date (*Note 2*) Thursday,
16 July 2015

Announcement of the results of the Offers or as to the Offers
have been revised or extended to be posted on the website of
the Stock Exchange (*Note 2*) by 7:00 p.m. on
Thursday,
16 July 2015

Latest date for posting of remittances in respect of
valid acceptances received under the Offers by
the First Closing Date (assuming the Offers become or
are declared unconditional on the First Closing Date) (*Note 3*) Monday,
27 July 2015

Latest time and date for the Offers remaining open for
acceptance (assuming the Offers become or are
declared unconditional on the First Closing Date) (*Note 4*) by 4:00 p.m. on
Thursday,
30 July 2015

Latest date of posting of remittances in respect of
valid acceptances received under the Offers on
or before 4:00 p.m. Thursday, 30 July 2015, being the latest date on
which the Offers remain open for acceptances assuming
the Offers become or are declared unconditional in all
respects on the First Closing Date. Monday,
10 August 2015

Latest date by which the Offers can be
declared unconditional (*Note 5*) Monday,
24 August 2015

EXPECTED TIMETABLE

Notes:

1. The Offers, which are conditional, are made on the date of posting of this Composite Document, and are capable of acceptance on and from Thursday, 25 June 2015 until the First Closing Date unless the Offeror revises or extends the Offers in accordance with the Takeovers Code. Subject to the condition of the Offers, acceptances of the Offers shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed “Effect of acceptance of the Offers and right of withdrawal” in Appendix I to this Composite Document.
2. The Offers must remain open for acceptance for at least 21 days falling the date on which this Composite Document is posted. The Offers which are conditional will be closed at 4:00 p.m. on the First Closing Date unless the Offeror revises or extends the Offers 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 on the First Closing Date stating the results of the Offers and whether the Offers have been revised or extended or have expired. In the event that the Offeror decides that the Offers will remain open, the announcement will state the next closing date of the Offers or that the Offers will remain open until further notice. In the latter case, at least 14 days’ notice in writing will be given, before the Offers are closed, to those Independent Shareholders and the Optionholders who have not accepted the Offers. If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force on the First Closing Date and such a warning is (i) not cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offers will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong or such other day as the Executive may approve; or (ii) cancelled in time for trading on the Stock Exchange to resume in the afternoon, the time and date of the close of the Offers will be the same day, i.e. 4:00 p.m. on the First Closing Date.
3. Remittances in respect of the consideration (after deducting the seller’s ad valorem stamp duty) payable for the Offer Share(s) under the Offers will be despatched to the accepting Independent Shareholders and the Optionholders by ordinary post at their own risk as soon as possible, but in any event within seven (7) Business Days following the later of the date on which the Offers become or are declared unconditional and the date of receipt by the Registrar of the valid requisite documents.
4. In accordance with the Takeovers Code, where the Offers become or are declared unconditional in all respects, the Offers should remain open for acceptance for not less than 14 days thereafter. In such case, at least 14 days’ notice in writing must be given before the Offers are closed to the Independent Shareholders and the Optionholders who have not accepted the Offers. The Offeror has the right, subject to the Takeovers Code, to extend the Offers until such date as it may determine or as permitted by the Executive.
5. In accordance with the Takeovers Code, except with the consent of the Executive, the Offers may not become or be declared unconditional as to acceptance after 7:00 p.m. on the 60th day after the day on which this Composite Document is posted. Where a period laid down by the Takeovers Code ends on a day which is not a Business Day, the period is extended until the next Business Day. Accordingly, unless the Offers have previously become or are declared unconditional as to acceptance, the Offers will lapse after 7:00 p.m. on Monday, 24 August 2015, unless extended with the consent of the Executive.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning as ascribed to it under the GEM Listing Rules or the Takeovers Code (as appropriate)
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Company”	Prosten Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Composite Document”	this composite offer and response document jointly despatched by the Offeror and the Company to all Shareholders and Optionholders in accordance with the Takeovers Code containing, among others, the terms and conditions of the Offers, the Forms of Acceptance, the letter of advice of the Independent Financial Adviser to the Independent Board Committee in respect of the Offers, and the letter of advice of the Independent Board Committee to all Independent Shareholders and Optionholders in relation to the Offers
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Facility”	a standby loan facility up to HK\$50,000,000 granted by One China Securities to the Offeror upon and subject to the terms and conditions of the loan agreement dated 31 March 2015 (supplemented by a supplemental agreement thereto dated 8 April 2015) entered into between One China Securities as lender and the Offeror as borrower
“First Closing Date”	16 July 2015, the first closing date of the Offers

DEFINITIONS

“Forms of Acceptance”	means the WHITE Form of Acceptance and transfer in respect of the Share Offer and the PINK Form of Acceptance and cancellation in respect of the Option Offer accompanying this Composite Document
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company whose members comprise Ms. Li Luyi, being the non-executive Director, and Mr. Tam Chun Wan, Ms. Tse Yuet Ling, Justine and Ms. Lai May Lun, the three of them being the independent non-executive Directors, to advise the Independent Shareholders and the Optionholders and to make recommendations as to the fairness and reasonableness of the Offers and as to their acceptances
“Independent Financial Adviser”	Proton Capital Limited, being the independent financial adviser to the Independent Board Committee in respect of the Offers
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“In-the-Money Option(s)”	the Option(s) with exercise prices of HK\$0.162 or HK\$0.165 (as the case may be)
“Joint Announcement”	the joint announcement dated 29 April 2015 made by the Company and the Offeror in relation to, among others, the S&P Agreement and the Offers
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the financial adviser to the Offeror

DEFINITIONS

“Last Full Trading Day”	27 March 2015, being the last full trading day of the Shares immediately prior to the publication of the Joint Announcement
“Last Trading Day”	30 March 2015, being the last trading day prior to the publication of the Joint Announcement
“Latest Practicable Date”	23 June 2015, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Letters of Undertaking”	the letters of undertaking issued by each of Mr. Wang Leilei and Ms. Zhang Yingnan dated 2 April 2015 whereby each of them has undertaken not to accept the Share Offer in respect of the Non-acceptance Shares
“Non-acceptance Shares”	the 150,000,000 Shares ultimately and beneficially owned by Mr. Wang Leilei and the 100,000,000 Shares ultimately and beneficially owned by Ms. Zhang Yingnan, which are held through Right Advance Management Limited and Will City Limited respectively
“Offers”	the Share Offer and the Option Offer
“Offer Period”	has the meaning ascribed to it under the Takeovers Code
“Offer Price”	the amount of HK\$0.27 payable by the Offeror for each Offer Share in the event that the Share Offer proceeds
“Offer Share(s)”	issued Share(s) other than those already owned by the Offeror and parties acting in concert with it
“Offeror”	Dynamic Peak Limited, a company incorporated in the British Virgin Islands with limited liability which is beneficially owned by Mr. Chen Weixi and Mr. Xu Zhigang as to 80% and 20% respectively
“One China Securities”	One China Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO which shall made the Offers on behalf of the Offeror

DEFINITIONS

“Option(s)”	the outstanding share option(s) granted by the Company in accordance with the Share Option Schemes to subscribe for up to an aggregate of 4,550,000 Shares as at the Latest Practicable Date
“Optionholders”	holders of the Options
“Option Offer”	the conditional mandatory cash offer to be made by One China Securities, for and on behalf of the Offeror, to cancel all outstanding Options
“Option Offer Price(s)”	the price(s) at which the Option Offer will be made, i.e. at HK\$0.108 per outstanding Option with exercise price of HK\$0.162, at HK\$0.105 per outstanding Option with exercise price of HK\$0.165 and at HK\$0.0001 per outstanding Option with exercise prices of HK\$0.410 or HK\$0.417
“Out-of-Money Option(s)”	the Option(s) with exercise prices of HK\$0.410 or HK\$0.417 (as the case may be)
“Overseas Shareholders”	Shareholders, whose registered addresses, as shown on the register of members of the Company, are outside of Hong Kong
“PINK Form of Acceptance”	the pink form of acceptance and cancellation of all outstanding Options in respect of the Option Offer
“PRC”	the People’s Republic of China for the purpose of this Composite Document, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Registrar”	means Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, the share registrar and transfer office of the Company
“Relevant Period”	the period commencing on 29 October 2014, being the date falling six months preceding the commencement of the Offer Period i.e. the date of the Joint Announcement, up to and including the Latest Practicable Date
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Sale Shares”	an aggregate of 294,276,619 Shares sold by the Vendors to the Offeror pursuant to the S&P Agreement
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Share Offer”	the conditional mandatory cash offer to be made by One China Securities, for and on behalf of the Offeror, to acquire for all the Offer Shares
“Share Option Schemes”	the share option schemes of the Company adopted on 9 April 2002 and 5 August 2011 respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“S&P Agreement”	the agreement dated 1 April 2015 for the sale and purchase of 294,276,619 Shares between the Vendors and the Offeror
“S&P Completion”	the completion of the sale and purchase of the Sale Shares by the Vendors and the Offeror in accordance with the provisions under the S&P Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Buy-backs as in force and as amended from time to time
“Vendors”	Century Technology Holding (PTC) Limited, Bakersfield Global (PTC) Corporation and Greenford Company (PTC) Limited
“WHITE Form of Acceptance”	the white form of acceptance and transfer of the Offer Shares in respect of the Share Offer
“%”	per cent.

The English names of the PRC entities mentioned in this Composite Document and marked with the “” are translation or transliteration from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.*



2/F, Cheong K. Building,
84-86 Des Vouex Road C., Central, Hong Kong

25 June 2015

To the Independent Shareholders and Optionholders

Dear Sir or Madam,

**CONDITIONAL MANDATORY CASH OFFERS BY
ONE CHINA SECURITIES LIMITED
FOR AND ON BEHALF OF DYNAMIC PEAK LIMITED
FOR ALL THE ISSUED SHARES
(OTHER THAN THOSE ALREADY OWNED BY DYNAMIC PEAK LIMITED
AND PARTIES ACTING
IN CONCERT WITH IT) IN, AND THE CANCELLATION OF
ALL OUTSTANDING SHARE OPTIONS OF,
PROSTEN TECHNOLOGY HOLDINGS LIMITED**

INTRODUCTION

Reference is made to the Joint Announcement.

On 1 April 2015, the Offeror and the Vendors entered into the S&P Agreement, pursuant to which the Offeror conditionally agreed to purchase and the Vendors conditionally agreed to sell the Sale Shares, being an aggregate of 294,276,619 Shares, for a total consideration of HK\$79,454,687.13 (representing HK\$0.27 per Sale Share). The Sale Shares in aggregate represent approximately 36.96% of the issued share capital of the Company immediately after the S&P Completion and approximately 36.90% of the issued share capital of the Company as at the Latest Practicable Date. The S&P Completion took place on 29 April 2015.

Prior to entering into the S&P Agreement, the Offeror and parties acting in concert with it were not interested in any Shares, warrants, options, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest in the Company. Immediately after the S&P Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it were interested in 294,276,619 Shares, representing approximately 36.96% of the issued share capital of the Company immediately after the S&P Completion and approximately 36.90% of the issued share capital of the Company as at the Latest Practicable Date. The Offeror is therefore, upon the S&P Completion, required under Rules 26.1 and 13.5 of the Takeovers Code to make conditional mandatory cash offers for all the issued Shares which are not already owned by the Offeror and parties acting in concert with it and to cancel all the outstanding Options.

LETTER FROM ONE CHINA SECURITIES

The purpose of this letter is to provide you with, *inter alia*, the principal terms of the Offers, together with the information on the Offeror and the Offeror's intention regarding the Group. Further terms of the Offers and the procedures of acceptance are set out in this letter and in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

CONDITIONAL MANDATORY CASH OFFERS

As at the Latest Practicable Date, the Company has 797,405,000 Shares in issue and 4,550,000 outstanding Options, each with an exercise price of HK\$0.162 (Option period from 27 March 2013 to 26 March 2023), HK\$0.165 per Share (Option period from 5 December 2013 to 4 December 2023), HK\$0.410 (Option period from 3 April 2008 to 2 April 2018) or HK\$0.417 (Option period from 3 June 2008 to 2 June 2018). The outstanding Options are subject to certain vesting conditions, pursuant to which 1,837,500 Options have been vested and become exercisable, and the remaining 2,712,500 Options shall become exercisable subject to the vesting conditions.

Nevertheless, according to the terms of the Share Option Schemes, where a general offer is made to all the Shareholders and such offer becomes or is declared unconditional, the Optionholders are, notwithstanding any other terms on which his Options were granted, entitled to exercise the Options (to the extent not already exercised) to its full extent at any time thereafter and up to the close of such offer. Subject to the above, the Options will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, the revised offer) closes. As such, should the current Offers become or are declared unconditional, 4,550,000 outstanding Options shall become exercisable by the Optionholders thereafter and up to the close of the Offers (or, as the case may be, the revised Offers).

Save for the Options, there are no outstanding options, derivatives or securities convertible into Shares and the Company had not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company as at the Latest Practicable Date.

The Offeror has received the Letters of Undertaking executed by Mr. Wang Leilei and Ms. Zhang Yingnan respectively, pursuant to which each of Mr. Wang Leilei and Ms. Zhang Yingnan has unconditionally and irrevocably undertaken to the Offeror and the Company that he/she (i) will not accept the Share Offer and will procure that any registered holder(s) controlled by him/her will not accept the Share Offer or sell any of the Non-acceptance Shares to the Offeror or parties acting in concert with it under the Share Offer; (ii) will not take any other action to make the Non-acceptance Shares available for acceptance of the Share Offer; and (iii) shall keep the Non-acceptance Shares and will not sell, transfer, dispose of any Non-acceptance Share to the Offeror or other third parties or otherwise create any interest on the Non-acceptance Shares before the close of the Offers. The Share Offer therefore will not be extended to the Non-acceptance Shares.

Accordingly, (i) assuming none of the Options have been exercised prior to the close of the Offers, excluding the Non-acceptance Shares under the Letters of Undertaking, 253,128,381 Offer Shares will be subject to the Share Offer and 4,550,000 Options will be subject to the Option Offer; or (ii) assuming all the Options have been fully exercised prior to the close of the Share Offer, excluding the Non-acceptance Shares under the Letters of Undertaking, the Company will have to

LETTER FROM ONE CHINA SECURITIES

issue 4,550,000 new Shares, representing approximately 0.57% of the enlarged issued share capital of the Company following such allotment and issue, and 257,678,381 Offer Shares will be subject to the Share Offer.

Principal terms of the Offers

One China Securities will, for and on behalf of the Offeror and parties acting in concert with it and in compliance with the Takeovers Code, make the Offers in accordance with the Takeovers Code on the following basis:

The Share Offer:

for each Offer Share HK\$0.27 in cash

The Option Offer:

for each Option

(a) **with an exercise price of HK\$0.162 HK\$0.108 in cash**
(b) **with an exercise price of HK\$0.165 HK\$0.105 in cash**
(c) **with an exercise price of HK\$0.410 HK\$0.0001 in cash**
(d) **with an exercise price of HK\$0.417 HK\$0.0001 in cash**

The Offer Price of HK\$0.27 per Offer Share equals to the purchase price per Sale Share paid by the Offeror under the S&P Agreement. The Option Offer Price for each In-the-Money Option represents the difference between the Offer Price and the respective exercise prices of these Options. However, as the exercise prices of the Out-of-Money Options are above the Offer Price, their Option Offer Price is a nominal HK\$0.0001 per Option.

Comparisons of value

The Offer Price of HK\$0.27 for each Offer Share equals to the price per Sale Share payable by the Offeror under the S&P Agreement and represents:

- (a) a discount of approximately 10.00% to the closing price of HK\$0.30 per Share as quoted by the Stock Exchange on the Last Full Trading Day;
- (b) a discount of approximately 32.50% to the closing price of HK\$0.40 per Share as quoted by the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 15.63% to the average closing price of approximately HK\$0.32 per Share for the 5 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 10.00% to the average closing price of approximately HK\$0.30 per Share for the 10 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 3.57% to the average closing price of approximately HK\$0.28 per Share for the 30 consecutive trading days up to and including the Last Trading Day;

LETTER FROM ONE CHINA SECURITIES

- (f) a premium of approximately 2,600% over the audited consolidated net asset value per Share of approximately HK\$0.01 per Share based on the audited accounts of the Company for the financial year ended 31 March 2014 and 797,405,000 Shares in issue as at the Latest Practicable Date;
- (g) a premium over the unaudited consolidated net liability per Share of approximately HK\$0.01 per Share based on the unaudited interim accounts of the Company for the 6 months ended 30 September 2014 and 797,405,000 Shares in issue as at the Latest Practicable Date;
- (h) a premium over the audited consolidated net liability per Share of approximately HK\$0.01 per Share based on the audited accounts of the Company for the financial year ended 31 March 2015 and 797,405,000 Shares in issue as at the Latest Practicable Date; and
- (i) a discount of approximately 74.53% to the closing price of HK\$1.06 per Shares as quoted on the Stock Exchange on the Latest Practicable Date.

Highest and lowest Share price

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$1.14 on 22 June 2015 and HK\$0.235 on 3 February 2015 respectively.

Letters of Undertaking

On 2 April 2015, each of Mr. Wang Leilei and Ms. Zhang Yingnan, ultimately holding 150,000,000 Shares (representing approximately 18.81% of the issued share capital of the Company as at the Latest Practicable Date) and 100,000,000 Shares (representing approximately 12.54% of the issued share capital of the Company as at the Latest Practicable Date) respectively, has executed the Letters of Undertaking, pursuant to which each of Mr. Wang Leilei and Ms. Zhang Yingnan has unconditionally and irrevocably undertaken to the Offeror and the Company that he/she:

- (i) will not accept the Share Offer and each of Mr. Wang Leilei and Ms. Zhang Yingnan will procure that any registered holder(s), namely Right Advance Management Limited and Will City Limited controlled by him/her respectively, will not accept the Share Offer or sell any of the Non-acceptance Shares to the Offeror or parties acting in concert with it under the Share Offer;
- (ii) will not take any other action to make the Non-acceptance Shares available for acceptance of the Share Offer; and
- (iii) shall keep the Non-acceptance Shares and will not sell, transfer, dispose of any Non-acceptance Share to the Offeror or other third parties or otherwise create any interest on the Non-acceptance Shares before the close of the Offers.

LETTER FROM ONE CHINA SECURITIES

Total consideration of the Offers

As at the Latest Practicable Date, there were 797,405,000 Shares in issue. At the Offer Price of HK\$0.27 per Offer Share, the entire issued share capital of the Company is valued at HK\$215,299,350.

Assuming that none of the 4,550,000 outstanding Options is exercised prior to the close of the Offers and there is no change in the issued share capital of the Company up to the close of the Offers, excluding the Non-acceptance Shares under the Letters of Undertaking, 253,128,381 Offer Shares, representing approximately 31.74% of the issued share capital of the Company as at the Latest Practicable Date, will be subject to the Share Offer which will be valued at HK\$68,344,662.87.

As at the Latest Practicable Date, the Company had 50,000, 4,100,000, 200,000 and 200,000 outstanding Options with exercise prices of HK\$0.162, HK\$0.165, HK\$0.410 and HK\$0.417 respectively. Based on the Option Offer Price of HK\$0.108 for cancellation of each Option with an exercise price of HK\$0.162, HK\$0.105 for cancellation of each Option with an exercise price of HK\$0.165 and HK\$0.0001 for cancellation of each Option with exercise prices of HK\$0.410 and HK\$0.417, the consideration payable by the Offeror under the Option Offer for the cancellation of all outstanding Options is HK\$435,940. Accordingly, assuming none of the Options is exercised prior to the close of the Offers, the Offers are valued at HK\$68,780,602.87 in aggregate.

Assuming all of the aforesaid outstanding Options are exercised by the Optionholders before the close of the Offers, 4,550,000 Shares will be issued and, based on the Offer Price of HK\$0.27 per Offer Share, an additional sum of HK\$1,228,500 shall be payable by the Offeror under the Share Offer. Accordingly, the Offers are valued at HK\$69,573,162.87 in aggregate on a fully-diluted basis.

Save and except for the Letters of Undertaking, the Offeror has not received any indication or irrevocable commitment from any Shareholder or Optionholder that he/she/it will accept or reject the Offers as at the Latest Practicable Date.

Financial resources available to the Offeror

The maximum amount of cash payable by the Offeror in respect of the Offers is approximately HK\$69,573,162.87. The Offeror intends to finance the cash consideration payable under the Offers with the Facility and its own resources.

Under the terms of the Facility, the Offeror had to deposit certain sum of money into a margin trading account opened, maintained and operated by the Offeror with One China Securities. Under the terms and conditions of the margin trading agreement dated 12 March 2015 entered into between One China Securities and the Offeror, all securities that may be held on behalf of the Offeror including the Offer Shares to be acquired through the Share Offer shall be charged to One China Securities by way of first fixed charge as a continuing security for the due and punctual payment of all amounts due and the satisfaction of all obligations and liabilities of the Offeror to

LETTER FROM ONE CHINA SECURITIES

One China Securities. The charge shall be immediately enforceable upon any default by the Offeror of any of its obligations under the Facility. Upon occurrence of such default, One China Securities may, immediately or at any time thereafter, sell all or any of the charged Shares at market price, but without prejudice to any other rights that One China Securities may have under the terms of the charge or otherwise. Both the Offeror and One China Securities do not intend that the repayment of the Facility will depend on the business of the Company.

The Offeror does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) under the Facility will depend to any significant extent on the business of the Company. Save for the above, there was no agreement, arrangement or understanding that any securities of the Company acquired in pursuance of the Offers would be transferred, charged or pledged to any other persons.

Kingston Corporate Finance, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the full acceptance of the Offers as set out in the section "Total consideration of the Offers" above.

Condition of the Offers

The Offers are conditional upon the Offeror having received valid acceptances of the Share Offer in respect of such number of Shares which, together with the Shares already owned by the Offeror and parties acting in concert with it, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company by 4:00 p.m. on or prior to the First Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve).

The Option Offer is subject to and conditional upon the Share Offer becoming unconditional.

Shareholders should note that if the total number of Shares in respect of which the Offeror receives valid acceptances under the Share Offer together with the Shares already owned or to be acquired by the Offeror and parties acting in concert with it during the Offer Period, will result in the Offeror and parties acting in concert with it holding 50% or less of the voting rights of the Company, the Offers will not become unconditional and will lapse. In such circumstances, pursuant to Rule 20.2 of the Takeovers Code, the Offeror is required to, as soon as possible but in any event within 10 days thereof, post the Share certificates or Option certificates (as the case may be) lodged with the Forms of Acceptance to, or make such Share certificates or Option certificates (as the case may be) available for collection by, those Shareholders or Optionholders who have accepted the Offers.

Effect of accepting the Offers

By accepting the Share Offer, the accepting Shareholders will sell their Shares free from all encumbrances and together with all rights attached to them, including the right to receive all dividends and distributions recommended, declared, paid or made, if any, on or after the date on which the Share Offer is made, being the date of despatch of this Composite Document.

LETTER FROM ONE CHINA SECURITIES

By accepting the Option Offer, Optionholders will cancel their Options and all rights attached thereto with effect from the date on which the Option Offer is made, being the date of despatch of this Composite Document.

Acceptance of the Offers shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

Dealing and interests in the Company's securities

Save for the purchase of 294,276,619 Shares (representing approximately 36.96% of the issued share capital of the Company immediately after the S&P Completion and approximately 36.90% of the issued share capital of the Company as at the Latest Practicable Date) pursuant to the S&P Agreement, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them has dealt in any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

Hong Kong stamp duty

Seller's ad valorem stamp duty arising from the acceptance of the Share Offer amounting to 0.1% of the amount payable in respect of relevant acceptances by the Shareholders, or (if higher) the value of the Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Shareholders who accept the Share Offer. The Offeror will then pay the stamp duty so deducted on their behalf. The Offeror will bear buyer's ad valorem stamp duty.

No stamp duty is payable in connection with the acceptance of the Option Offer.

Payment

Payment in cash in respect of acceptances of the Offers (after deducting the accepting Shareholders' share of stamp duty) will be made as soon as possible but in any event within seven Business Days of the date of receipt of a duly completed acceptance. Relevant documents evidencing title must be received by or on behalf of the Offeror to render such acceptance of the Offers complete and valid.

Overseas Shareholders and overseas Optionholders

As the Offers to persons who are not residents in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are residents, the Overseas Shareholders and the overseas Optionholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should satisfy themselves about and observe any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibility of the Overseas Shareholders and/or overseas Optionholders who wish to accept the Share Offer and/or the Option Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the

LETTER FROM ONE CHINA SECURITIES

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 accepting Shareholders in respect of such jurisdiction).

Any acceptance by any Shareholder or Optionholder will be deemed to constitute a representation and warranty from such Shareholder or Optionholder to the Offeror that the local laws and requirements have been complied with. The Shareholders and Optionholders should consult their professional advisers if in doubt.

Compulsory acquisition

The Offeror and parties acting in concert with it do not intend to exercise any right which may be available to them to acquire compulsorily any Shares not tendered for acceptance under the Offers.

Procedures for acceptance and settlement

Your attention is drawn to the further details regarding the procedures for acceptance and settlement of the Offers as set out in Appendix I to this Composite Document and the accompanying Forms of Acceptance.

INFORMATION ON THE COMPANY

The Company, incorporated in the Cayman Islands with limited liability, is an investment holding company and its issued Shares are listed on GEM since 2000. The Group is principally engaged in the provision of wireless music search and entertainment services, as well as the development of applications supporting internet and mainstream mobile phone platforms.

Set out below is the audited consolidated results of the Group for each of the two years ended on 31 March 2014 and 2015, as extracted from the audited consolidated accounts of the Company for the year ended 31 March 2015.

	For the year ended	
	31 March	
	2015	2014
	<i>(audited)</i>	<i>(audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	9,763	24,209
Loss before taxation	(28,307)	(41,607)
Loss attributable to owners of the Company	(29,707)	(41,613)

LETTER FROM ONE CHINA SECURITIES

Based on 797,405,000 Shares in issue as at the Latest Practicable Date, the audited consolidated net liability of the Group as at 31 March 2015 was approximately HK\$10,867,000, which was equivalent to net liability of approximately HK\$0.01 per Share and the audited consolidated net asset of the Group as at 31 March 2014 was approximately HK\$10,816,000, which was equivalent to approximately HK\$0.01 per Share.

INFORMATION ON THE OFFEROR

The Offeror was incorporated in the British Virgin Islands with limited liability and is beneficially owned by Mr. Chen Weixi and Mr. Xu Zhigang as to 80% and 20% respectively (For details of the background of Mr. Chen Weixi and Mr. Xu Zhigang, please refer to the section headed “Biographies of new Directors to be nominated by the Offeror” in this letter). The Offeror is an investment holding company and did not carry on any business since its incorporation until the entering into the S&P Agreement.

As at the Latest Practicable Date, the directors of the Offeror are Mr. Chen Weixi and Mr. Xu Zhigang. Both of them do not hold any directorships in any public or listed companies. The Offeror and its ultimate beneficial owners are third parties independent of, and not acting in concert with, the Vendors.

OFFEROR’S INTENTION REGARDING THE GROUP

It is the intention of the Offeror that the Group will continue its existing principal business and the Offeror does not intend to introduce any major changes to the business of the Group, including any redeployment of the fixed assets of the Group. Following completion of the Offers, the Offeror will conduct a review of the business operations and financial position of the Group for the purpose of formulating suitable business plans and strategies for the future business development of the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider future development of the Group’s existing business, or acquisition of assets and/or business by the Group in order to enhance its revenue. As at the Latest Practicable Date, the Offeror has no plan for any acquisition or disposal of the existing assets or business of the Group.

Furthermore, save for the change of board composition of the Company as disclosed in the subsection headed “Proposed change of board composition of the Company” below, the Offeror has no intention to discontinue the employment of the employees of the Group.

Proposed change of board composition of the Company

As at the Latest Practicable Date, the Board is made up of seven Directors, comprising three executive Directors, namely Mr. Yip Heon Keung, Mr. Yip Heon Ping and Mr. Han Jun, one non-executive Director, namely Ms. Li Luyi, and three independent non-executive Directors, namely Mr. Tam Chun Wan, Ms. Tse Yuet Ling, Justine and Ms. Lai May Lun. Upon completion of the Offers, it is intended that save for Mr. Yip Heon Keung, who will be re-designated from an executive Director to a non-executive Director, and Mr. Han Jun, who will remain as an executive

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Director, all existing executive Directors, non-executive Director and independent non-executive Directors will resign from their office with effect from the earliest time permitted under the GEM Listing Rules, the Takeovers Code or other applicable laws (whichever is the latest).

In addition, the Offeror intends to appoint Mr. Xu Zhigang and Ms. Ding Pingying as executive Directors, Mr. Chen Weixi as non-executive Director and Ms. Wong Chi Yan, Mr. Xu Xiaoping and Mr. Lam Kwok Cheong as independent non-executive Directors with effect from the earliest time permitted under the GEM Listing Rules, the Takeovers Code or other applicable laws (whichever is the latest). Any changes to the composition of the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules. An announcement will be published by the Company in this regard.

Biographies of new Directors to be nominated by the Offeror

Executive Directors

Mr. Xu Zhigang (“**Mr. Xu**”), aged 44, holds a master’s degree in business management from Southwest Jiaotong University in the PRC. Mr. Xu has extensive experience in areas such as corporate management, business financing, corporate investment and asset acquisition. Mr. Xu worked in 深圳市智偉龍實業有限公司 (Shenzhen Zhiweilong Holdings Limited*) since March 2003 and he subsequently worked as a financial controller, chief executive and took up other positions in 深圳市智偉龍實業有限公司 (Shenzhen Zhiweilong Holdings Limited*) and 深圳市智偉龍實業集團 (Shenzhen Zhiweilong Holdings Group*), companies which carry on the businesses of production of electronic products and property leasing. During the tenure of Mr. Xu in 深圳市智偉龍實業有限公司 (Shenzhen Zhiweilong Holdings Limited*) and 深圳市智偉龍實業集團 (Shenzhen Zhiweilong Holdings Group*), he led or participated in some of the major investment and asset acquisition projects. Since 2014, Mr. Xu acted as the vice president of Mega Medical Technology Limited (formerly known as “Wing Tai Investment Holdings Limited”) (stock code: 876), a company listed on the Stock Exchange, carrying on electronic manufacturing services business. As a vice president, Mr. Xu was responsible for assisting the president for the administration of Mega Medical Technology Limited. Mr. Xu was an executive director and later re-designated as a non-executive director of Aurum Pacific (China) Group Limited (stock code: 8148) from September 2014 to March 2015, a company listed on the Stock Exchange.

There is no service contract entered into between the Company and Mr. Xu. Mr. Xu is not appointed for a specific term. He will hold office until the next annual general meeting of the Company and will retire at that general meeting but will be eligible for re-election pursuant to the articles of association of the Company. The Board will determine the emoluments of Mr. Xu with reference to his duties and responsibilities within the Group.

As at the Latest Practicable Date, Mr. Xu was interested in 294,276,619 Shares by virtue of his 20% shareholding in the Offeror.

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Save as disclosed above, as at the Latest Practicable Date, Mr. Xu did not (1) hold any positions in other members of the Group; (2) hold any directorship in listed public companies in Hong Kong or overseas during the past three years; (3) hold other major appointments and professional qualifications; (4) have any relationships with any other directors, senior management or substantial or controlling Shareholders; and (5) have any interest in the Shares, underlying Shares or debentures of the Company within the meaning of Part XV of the SFO and he is not aware of any other matters that need to be brought to the attention of the holders of the securities of the Company.

Save as disclosed above, there is no information in relation to Mr. Xu that should be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules.

Ms. Ding Pingying (“**Ms. Ding**”), aged 38, has extensive experience in business administration, management and operation. She held senior management positions in the hotels in the PRC. Ms. Ding served as the general manager of 常德國際大酒店 (Changde International Hotel*) in Hunan from 2005 to 2008, the general manager of 深圳市登喜路酒店管理有限公司 (Dayhello Hotel Management Limited*) in Shenzhen from 2008 to 2013. Ms. Ding has been serving as the vice-general manager of 義烏小商品市場管理有限公司 (Yiwu Small Commodity Market Management Limited*) of 深圳市智偉龍實業集團 (Shenzhen Zhiweilong Holdings Group*) since 2013.

There is no service contract entered into between the Company and Ms. Ding. Ms. Ding is not appointed for a specific term. She will hold office until the next annual general meeting of the Company and will retire at that general meeting but will be eligible for re-election pursuant to the articles of association of the Company. The Board will determine the emoluments of Ms. Ding with reference to her duties and responsibilities within the Group.

Save as disclosed above, as at the Latest Practicable Date, Ms. Ding did not (1) hold any positions in other members of the Group; (2) hold any directorship in listed public companies in Hong Kong or overseas during the past three years; (3) hold other major appointments and professional qualifications; (4) have any relationships with any other directors, senior management or substantial or controlling Shareholders; and (5) have any interest in the Shares, underlying Shares or debentures of the Company within the meaning of Part XV of the SFO and she is not aware of any other matters that need to be brought to the attention of the holders of the securities of the Company.

Save as disclosed above, there is no information in relation to Ms. Ding that should be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules.

Non-executive Director

Mr. Chen Weixi (“**Mr. Chen**”), aged 28, is a graduate from the department of economics from Southern Methodist University in the United States. Mr. Chen is currently the general manager of 深圳市金茂會投資有限公司 (Shenzhen Jin Mao Hui Investment Limited*) and 深圳前海紅鼎投資基金管理有限公司 (Shenzhen Qian Hai Hong Ding Investment Funds Management Limited*)

LETTER FROM ONE CHINA SECURITIES

and the chief investment officer of 深圳市紅鼎資產管理有限公司 (Shenzhen Hang Ding Assets Management Limited*). Mr. Chen has engaged in various areas in finance and real estate, managed different investment projects and conducted in-depth studies in the field of crowd-sourcing and online to offline aspects.

There is no service contract entered into between the Company and Mr. Chen. Mr. Chen is not appointed for a specific term. He will hold office until the next annual general meeting of the Company and will retire at that general meeting but will be eligible for re-election pursuant to the articles of association of the Company. The Board will determine the emoluments of Mr. Chen with reference to his duties and responsibilities within the Group.

As at the Latest Practicable Date, Mr. Chen was interested in 294,276,619 Shares by virtue of his 80% shareholding in the Offeror.

Save as disclosed above, as at the Latest Practicable Date, Mr. Chen did not (1) hold any positions in other members of the Group; (2) hold any directorship in listed public companies in Hong Kong or overseas during the past three years; (3) hold other major appointments and professional qualifications; (4) have any relationships with any other directors, senior management or substantial or controlling Shareholders; and (5) have any interest in the Shares, underlying Shares or debentures of the Company within the meaning of Part XV of the SFO (save as the 294,276,619 Shares held by Mr. Chen through the Offeror as stated above) and he is not aware of any other matters that need to be brought to the attention of the holders of the securities of the Company.

Save as disclosed above, there is no information in relation to Mr. Chen that should be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules.

Independent non-executive Directors

Ms. Wong Chi Yan (“**Ms. Wong**”), aged 33, holds a bachelor degree of business administration in accounting from Hong Kong Baptist University. Ms. Wong is an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Wong is currently the executive director and company secretary of Aurum Pacific (China) Group Limited (stock code: 8148), the executive director and company secretary of PPS International (Holdings) Limited (stock code: 8021) and the company secretary of U-RIGHT International Holdings Limited (stock code: 627), which are all companies listed on the Stock Exchange. Ms. Wong has extensive experience in auditing, accounting, financing as well as merger and acquisition.

There is no service contract entered into between the Company and Ms. Wong. Ms. Wong is not appointed for a specific term. She will hold office until the next annual general meeting of the Company and will retire at that general meeting but will be eligible for re-election pursuant to the articles of association of the Company. The Board will determine the emoluments of Ms. Wong with reference to her duties and responsibilities within the Group.

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Save as disclosed above, as at the Latest Practicable Date, Ms. Wong did not (1) hold any positions in other members of the Group; (2) hold any directorship in listed public companies in Hong Kong or overseas during the past three years; (3) hold other major appointments and professional qualifications; (4) have any relationships with any other directors, senior management or substantial or controlling Shareholders; and (5) have any interest in the Shares, underlying Shares or debentures of the Company within the meaning of Part XV of the SFO and she is not aware of any other matters that need to be brought to the attention of the holders of the securities of the Company.

Save as disclosed above, there is no information in relation to Ms. Wong that should be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules.

Mr. Xu Xiaoping (“**Mr. Xu**”), aged 50, is an experienced management personnel. Mr. Xu started his career in 1989 and has served in 深華貿易有限公司 (Shen Hua Trading Limited*), 天奇電子有限公司 (Tian Qi Electrons Limited*), which were companies carrying on the business of online banking services in the PRC. Mr. Xu has also acted as the chairman of the board of directors of 深圳市奔翔物流有限公司 (Shenzhen Ben Xiang Logistics Limited*), a company carrying on the business of air cargo services in the PRC. Mr. Xu is currently the investor of 嘉興友本投資合伙企業 (Jia Xing You Ben Investment Partnership*), which is engaged in the venture capital business.

There is no service contract entered into between the Company and Mr. Xu. Mr. Xu is not appointed for a specific term. He will hold office until the next annual general meeting of the Company and will retire at that general meeting but will be eligible for re-election pursuant to the articles of association of the Company. The Board will determine the emoluments of Mr. Xu with reference to his duties and responsibilities within the Group.

Save as disclosed above, as at the Latest Practicable Date, Mr. Xu did not (1) hold any positions in other members of the Group; (2) hold any directorship in listed public companies in Hong Kong or overseas during the past three years; (3) hold other major appointments and professional qualifications; (4) have any relationships with any other directors, senior management or substantial or controlling Shareholders; and (5) have any interest in the Shares, underlying Shares or debentures of the Company within the meaning of Part XV of the SFO and he is not aware of any other matters that need to be brought to the attention of the holders of the securities of the Company.

Save as disclosed above, there is no information in relation to Mr. Xu that should be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules.

Mr. Lam Kwok Cheong (“**Mr. Lam**”), aged 61, is a Justice of the Peace, a holder of a Bronze Bauhinia Star and a solicitor of the High Court of Hong Kong. Mr. Lam holds a bachelor of laws degree from the University of Hong Kong and has been a practising solicitor for over 32 years. Mr. Lam is currently a member of the Buildings Ordinance Appeal Tribunal Panel, a member of the Panel of Adjudicators, Obscene Articles Tribunal, an ex-officio member of Heung Yee Kuk New Territories, a civil celebrant of marriages, a China-appointed Attesting Officer and a fellow of the Hong Kong Institute of Directors. Mr. Lam is a non-executive director of Mega Medical

LETTER FROM ONE CHINA SECURITIES

Technology Limited (formerly known as “Wing Tai Investments Holdings Limited”) (stock code: 876), and an independent non-executive director of Southwest Securities International Securities Limited (formerly known as “Tanrich Financial Holdings Limited”) (stock code: 812) and Sparkle Roll Group Limited (stock code: 970), all of which are companies with shares listed on the Stock Exchange. Mr. Lam was an independent non-executive director of Same Time Holdings Limited (now known as “GCL New Energy Holdings Limited”) (stock code: 451) from November 1997 to May 2014 and 21 Holdings Limited (stock code: 1003) from September 2010 to September 2011, both of which are companies with shares listed on the Stock Exchange.

There is no service contract entered into between the Company and Mr. Lam. Mr. Lam is not appointed for a specific term. He will hold office until the next annual general meeting of the Company and will retire at that general meeting but will be eligible for re-election pursuant to the articles of association of the Company. The Board will determine the emoluments of Mr. Lam with reference to his duties and responsibilities within the Group.

Save as disclosed above, as at the Latest Practicable Date, Mr. Lam did not (1) hold any positions in other members of the Group; (2) hold any directorship in listed public companies in Hong Kong or overseas during the past three years; (3) hold other major appointments and professional qualifications; (4) have any relationships with any other directors, senior management or substantial or controlling Shareholders; and (5) have any interest in the Shares, underlying Shares or debentures of the Company within the meaning of Part XV of the SFO and he is not aware of any other matters that need to be brought to the attention of the holders of the securities of the Company.

Save as disclosed above, there is no information in relation to Mr. Lam that should be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules.

Save as disclosed above, the Offeror does not intend to implement any material change to the existing management of the Group following the close of the Offers.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on GEM after the close of the Offers. In the event that after the close of the Offers, the public float of the Company falls below 25%, Mr. Yip Heon Keung and Mr. Han Jun (each of them being the current executive Director who intended, as at the Latest Practicable Date, to remain on the Board following the close of the Offers) and the new Directors nominated by the Offeror (including Mr. Chen Wei Xi and Mr. Xu Zhigang, the directors of the Offeror) have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure sufficient public float exists for the Shares.

The Stock Exchange has indicated that if, upon the close of the Offers, less than 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

LETTER FROM ONE CHINA SECURITIES

(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.

GENERAL

It is essential for the beneficial owners of the Shares whose investments are registered in the names of the nominees to provide instructions to their nominees of their intentions with regard to the Offers.

All documents and remittance will be sent to the Independent Shareholders and Optionholders by ordinary post at their own risk. None of the Company, the Offeror and parties acting in concert with it, One China Securities, Kingston Corporate Finance, nor any of their respective directors or persons involved in the Offers will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offers set out in the appendices to this Composite Document and the accompanying Forms of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the “Letter from the Independent Financial Adviser” contained in this Composite Document.

Yours faithfully,
For and on behalf of
One China Securities Limited
CHIU Wai Ho
Director



PROSTEN

PROSTEN TECHNOLOGY HOLDINGS LIMITED

長達科技控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8026)

Executive Directors:

Mr. Yip Heon Keung (*Chairman*)
Mr. Yip Heon Ping
Mr. Han Jun

Non-executive Director:

Ms. Li Luyi

Independent non-executive Directors:

Mr. Tam Chun Wan
Ms. Tse Yuet Ling, Justine
Ms. Lai May Lun

Registered office:

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

*Head office and principal place of
business in Hong Kong:*

Unit 802, 8/F., Dominion Centre
43-59 Queen's Road East
Wanchai, Hong Kong

25 June 2015

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**CONDITIONAL MANDATORY CASH OFFERS BY
ONE CHINA SECURITIES LIMITED
FOR AND ON BEHALF OF DYNAMIC PEAK LIMITED FOR
ALL THE ISSUED SHARES
(OTHER THAN THOSE ALREADY OWNED BY DYNAMIC PEAK LIMITED
AND PARTIES ACTING IN CONCERT WITH IT) IN, AND
THE CANCELLATION OF ALL OUTSTANDING SHARE OPTIONS OF,
PROSTEN TECHNOLOGY HOLDINGS LIMITED**

INTRODUCTION

Reference is made to the Joint Announcement made jointly by the Company and the Offeror in relation to, among other matters, the S&P Agreement and the Offers. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

* *For identification purpose only*

LETTER FROM THE BOARD

As mentioned in the Joint Announcement, pursuant to the S&P Agreement entered into between the Offeror and the Vendors, the Offeror conditionally agreed to purchase and the Vendors conditionally agreed to sell the Sale Shares, being an aggregate of 294,276,619 Shares, for a total consideration of HK\$79,454,687.13 (representing HK\$0.27 per Sale Share). The Sale Shares in aggregate represent approximately 36.96% of the issued share capital of the Company immediately after the S&P Completion and approximately 36.90% of the issued share capital of the Company as at the Latest Practicable Date. The S&P Completion took place on 29 April 2015.

Prior to entering into the S&P Agreement, the Offeror and parties acting in concert with it were not interested in any Shares, warrants, options, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest in the Company. Immediately after the S&P Completion, the Offeror and parties acting in concert with it were interested in an aggregate of 294,276,619 Shares, representing approximately 36.96% of the issued share capital of the Company immediately after the S&P Completion and approximately 36.90% of the issued share capital of the Company as at the Latest Practicable Date. The Offeror is therefore, upon the S&P Completion, required under Rules 26.1 and 13.5 of the Takeovers Code to make conditional mandatory cash offers for all the issued Shares which are not already owned by it and parties acting in concert with it and to cancel all the outstanding Options.

Details of the Offers are set out in the “Letter from One China Securities” and Appendix I to the Composite Document and the Form(s) of Acceptance.

The primary purpose of this letter is to provide you with information relating to, among other matters, information relating to the Group and the Offers.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee comprising Ms. Li Luyi, being the non-executive Director, and Mr. Tam Chun Wan, Ms. Tse Yuet Ling, Justine and Ms. Lai May Lun, the three of them being the independent non-executive Directors, has been formed to advise the Independent Shareholders and the Optionholders and to make recommendations as to the fairness and reasonableness of the Offers and as to their acceptances. As disclosed in the announcement of the Company dated 15 May 2015, Proton Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers and in particular as to whether the Offers are fair and reasonable and as to the acceptance of the Offers. Such appointment has been approved by the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code.

LETTER FROM THE BOARD

CONDITIONAL MANDATORY CASH OFFERS

One China Securities, for and on behalf of the Offeror and parties acting in concert with it, and in compliance with the Takeovers Code, is making the Offers on the following basis:

The Share Offer:

for each Offer Share HK\$0.27 in cash

The Option Offer:

for each Option

- (a) with an exercise price of HK\$0.162 HK\$0.108 in cash**
- (b) with an exercise price of HK\$0.165 HK\$0.105 in cash**
- (c) with an exercise price of HK\$0.410 HK\$0.0001 in cash**
- (d) with an exercise price of HK\$0.417 HK\$0.0001 in cash**

As at the Latest Practicable Date, the Company had (i) 797,405,000 Shares in issue and (ii) an aggregate of 4,550,000 outstanding Options, with an exercise price of HK\$0.162 (Option period from 27 March 2013 to 26 March 2023), HK\$0.165 (Option period from 5 December 2013 to 4 December 2023), HK\$0.410 (Option period from 3 April 2008 to 2 April 2018) or HK\$0.417 (Option period from 3 June 2008 to 2 June 2018) per Share respectively, which may be converted into 4,550,000 Shares.

Pursuant to the Share Option Schemes, in the case that a general offer is made to all the Shareholders and it becomes or is declared unconditional before the expiry of the Options, the Optionholders shall, notwithstanding any other terms on which the Options were granted, be entitled to exercise his/her outstanding Options (to the extent not already exercised) to its full extent at anytime thereafter and up to the close of such offer (or any revised offer). Subject to the above, the Options will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, the revised offer) closes.

Save for the Options, there are no outstanding options, derivatives or securities convertible into Share and the Company had not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company as at the Latest Practicable Date.

Comparison of value

The Offer Price of HK\$0.27 per Offer Share equals to the purchase price per Sale Share paid by the Offeror under the S&P Agreement, which represents:

- (a) a discount of approximately 10.00% to the closing price of HK\$0.30 per Share as quoted by the Stock Exchange on the Last Full Trading Day;
- (b) a discount of approximately 32.50% to the closing price of HK\$0.40 per Share as quoted by the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- (c) a discount of approximately 15.63% to the average closing price of approximately HK\$0.32 per Share for the 5 trading days up to and including the Last Trading Day;
- (d) a discount of approximately 10.00% to the average closing price of approximately HK\$0.30 per Share for the 10 trading days up to and including the Last Trading Day;
- (e) a discount of approximately 3.57% to the average closing price of approximately HK\$0.28 per Share for the 30 consecutive trading days up to and including the Last Trading Day;
- (f) a premium of approximately 2,600% over the audited consolidated net asset value per Share of approximately HK\$0.01 per Share as at 31 March 2014 based on the audited accounts of the Company for the financial year ended 31 March 2014;
- (g) a premium over the unaudited consolidated net liability per Share of approximately HK\$0.01 per Share based on the unaudited interim accounts of the Company for the 6 months ended 30 September 2014 and 797,405,000 Shares in issue as at the Latest Practicable Date;
- (h) a premium over the audited consolidated net liability per Share of approximately HK\$0.01 as at 31 March 2015 based on the audited accounts of the Company for the financial year ended 31 March 2015; and
- (i) a discount of approximately 74.53% to the closing price of HK\$1.06 per Shares as quoted on the Stock Exchange on the Latest Practicable Date.

The Option Offer Price for each In-the-Money Option represents the difference between the Offer Price and the respective exercise prices of these Options. However, as the exercise prices of the Out-of-Money Options are above the Offer Price, their Option Offer Price is a nominal HK\$0.0001 per Option.

Highest and lowest price of the Shares

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK\$1.14 on 22 June 2015 and HK\$0.235 on 3 February 2015 respectively.

Condition of the Offers

The Offers is conditional upon the Offeror having received valid acceptances of the Share Offer in respect of such number of Shares which, together with the Shares already owned by the Offeror and parties acting in concert with it, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Company by 4:00 p.m. on or prior to the First Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve).

LETTER FROM THE BOARD

The Option Offer is subject to and conditional upon the Share Offer becoming unconditional.

The Offers are initially open for acceptance up to 4:00p.m. on the First Closing Date. When the Offers become or are declared unconditional as to acceptances as mentioned above, the Offers will remain open for acceptance for at least 14 days thereafter.

The latest date for declaring the Share Offer unconditional as to acceptances of the Offers is the 60th day from the date of dispatch of the Composite Document, being 24 August 2015.

Shareholders should note that if the total number of Shares in respect of which the Offeror receives valid acceptances under the Share Offer together with the Shares already owned or to be acquired by the Offeror and parties acting in concert with it during the Offer Period, will result in the Offeror and parties acting in concert with it holding 50% or less of the voting rights of the Company, the Offers will not become unconditional and will lapse. In such circumstances, pursuant to Rule 20.2 of the Takeovers Code, the Offeror is required to, as soon as possible but in any event within 10 days thereof, post the Share certificate or Option certificates (as the case may be) lodged with the Forms of Acceptance to, or make such Share certificates or Option certificates (as the case may be) available for collection by, those Shareholders or Optionholders who have accepted the Offers.

Further details of the Offers

Further details of the Offers, including procedures for acceptance of the Offers are contained in the “Letter from One China Securities” as set out on pages 8 to 22 of this Composite Document, Appendix I to this Composite Document and the accompanying Forms of Acceptance.

Closing of the Offers

If the conditions to the Offers are not satisfied on or before the First Closing Date, the Offers will lapse unless extended by the Offeror in accordance with the Takeovers Code. In such case, the Offeror will issue an announcement in accordance with the Takeovers Code as soon as practicable thereafter.

INTENTION OF THE DIRECTORS

As at the Latest Practicable Date, (i) Mr. Yip Heon Keung held 5,600,000 Shares and 1,400,000 Options with an exercise price of HK\$0.165 per Share; and (ii) Mr. Yip Heon Ping held 5,600,000 Shares and 1,400,000 Options with an exercise price of HK\$0.165 per Share. Out of the 1,400,000 Options held by each of Mr. Yip Heon Keung and Mr. Yip Heon Ping, 700,000 Options held by each of them were vested and exercisable and the remaining 700,000 Options held by each of them shall become exercisable subject to the vesting conditions. Each of Mr. Yip Heon Keung and Mr. Yip Heon Ping has indicated that he intends:

in respect of the 700,000 Options held by Mr. Yip Heon Keung or the 700,000 Options held by Mr. Yip Heon Ping (as the case may be) which are not yet vested

- (i) to accept the Option Offer;

LETTER FROM THE BOARD

in respect of the 700,000 Options held by Mr. Yip Heon Keung or the 700,000 Options held by Mr. Yip Heon Ping (as the case may be) which are already vested

- (i) not to accept the Offers if the market price of the Shares continues to be above the Offer Price and to consider selling some or all of the new Shares upon exercise of the Options in the open market;
- (ii) to prudently consider accepting the Offers (as the case may be) if the market price of the Shares falls below the Offer Price, depending on the circumstances which have caused such a sharp Share price fall;

in respect of the 5,600,000 Shares held by Mr. Yip Heon Keung or the 5,600,000 Shares held by Mr. Yip Heon Ping (as the case may be)

- (i) not to accept the Share Offer if the market price of the Shares continues to be above the Offer Price and to consider selling some or all of his Shares in the open market;
- (ii) to prudently consider accepting the Share Offer if the market price of the Shares falls below the Offer Price, depending on the circumstances which have caused such a sharp Share price fall;

INFORMATION ON THE GROUP

The Company, incorporated in the Cayman Islands with limited liability, is an investment holding company and its issued Shares are listed on GEM since 2000. The Group is principally engaged in the provision of wireless music search and entertainment services, as well as the development of applications supporting internet and mainstream mobile phone platforms.

Set out below is the audited consolidated results of the Group for each of the two years ended on 31 March 2014 and 2015, as extracted from the audited consolidated accounts of the Company for the year ended 31 March 2015.

	For the year ended	
	31 March	
	2015	2014
	<i>(audited)</i>	<i>(audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	9,763	24,209
Loss before taxation	(28,307)	(41,607)
Loss attributable to owners of the Company	(29,707)	(41,613)

LETTER FROM THE BOARD

The audited consolidated net liability of the Group attributable to Shareholders as at 31 March 2015 was approximately HK\$10,867,000, which was equivalent to net liability of approximately HK\$0.01 per Share and the audited consolidated net asset of the Group attributable to Shareholders as at 31 March 2014 was approximately HK\$10,816,000, which was equivalent to approximately HK\$0.01 per Share.

A summary of the audited consolidated results of the Group for each of the three years ended 31 March 2015 is set out in Appendix II to this Composite Document.

Shareholding structure of the Company

The following table sets out the shareholding structure of the Company (i) immediately prior to S&P Completion; (ii) immediately upon S&P Completion; and (iii) as at the Latest Practicable Date:

Shareholders	Shareholding structure of the Company immediately before the S&P Completion		Shareholding structure of the Company immediately after the S&P Completion		Shareholding structure of the Company as at the Latest Practicable Date	
	Number of Shares	Approximate % of shareholding (Note 1)	Number of Shares	Approximate % of shareholding (Note 1)	Number of Shares	Approximate % of shareholding (Note 1)
Century Technology Holding (PTC) Limited (Note 2)	114,851,701	14.43	1,258,000 (Note 2)	0.16	0 (Note 2)	—
Bakersfield Global (PTC) Corporation (Notes 3 and 5)	59,085,216	7.42	0	—	0	—
Greenford Company (PTC) Limited (Notes 4 and 5)	121,597,702	15.27	0	—	0	—
The Offeror and parties acting in concert with it	0	—	294,276,619	36.96	294,276,619	36.90
Yip Seng Mun (Note 6)	3,761,000	0.47	3,761,000 (Note 6)	0.47	400,000 (Note 6)	0.05
Yip's Family (Note 7)	15,200,000	1.91	15,200,000 (Note 7)	1.91	15,700,000 (Note 7)	1.97
Right Advance Management Limited (Note 8)	150,000,000	18.84	150,000,000	18.84	150,000,000	18.81
Will City Limited (Note 9)	100,000,000	12.56	100,000,000	12.56	100,000,000	12.54
Public Shareholders	<u>231,609,381</u>	<u>29.09</u>	<u>231,609,381</u>	<u>29.09</u>	<u>237,028,381</u>	<u>29.72</u>
Total	<u>796,105,000</u>	<u>100.00</u>	<u>796,105,000</u>	<u>100.00</u>	<u>797,405,000</u>	<u>100.00</u>

LETTER FROM THE BOARD

Notes:

1. The aggregate of the percentage figures stated in this column does not add up to 100 percent due to rounding issue of the decimal places.
2. Century Technology Holding (PTC) Limited (“**Century**”) is a company incorporated in the British Virgin Islands and is one of the Vendors. Its entire issued share capital is beneficially owned by Mr. Yip Seng Mun, a former Director. Century is a trustee of a unit trust, the units of which are held by Ultra Fame Investments (PTC) Ltd as trustee of a discretionary family trust. Mr. Yip Seng Mun is the sole director and sole shareholder of Ultra Fame Investments (PTC) Ltd. Century sold 113,593,701 Sale Shares to the Offeror under the S&P Agreement and disposed of the remaining 1,258,000 Shares held by it in open market after the S&P Completion.
3. Bakersfield Global (PTC) Corporation (“**Bakersfield**”) is a company incorporated in the British Virgin Islands and is one of the Vendors. Its entire issued share capital is beneficially owned by Mr. Yip Seng Mun, a former Director.
4. Greenford Company (PTC) Limited (“**Greenford**”) is a company incorporated in the British Virgin Islands and is one of the Vendors. Its entire issued share capital is beneficially owned by Mr. Yip Heon Ping, a Director.
5. Immediately before the S&P Completion, an aggregate of 180,682,918 Shares was held through Greenford and Bakersfield as trustees of The Greenford Unit Trust and The Bakersfield Unit Trust (collectively referred to as the “**Unit Trusts**”), respectively. The entire issued units of the Unit Trusts are held by Ace Central Group (PTC) Limited (“**Ace Central**”) as the trustee of The New Millennium Trust. The New Millennium Trust is a discretionary family trust which was established with Mr. Yip Seng Mun as the founder and Mr. Yip Heon Ping as one of the discretionary objects as at the Latest Practicable Date. Mr. Yip Heon Keung is the sole director and sole shareholder of Ace Central.
6. By virtue of the SFO, Mr. Yip Seng Mun was deemed to be interested in 180,682,918 Shares as the founder of The New Millennium Trust and 114,851,701 Shares as the beneficial owner of Century immediately before the S&P Completion. Mr. Yip Seng Mun was also personally interested in 3,761,000 Shares immediately before and immediately after the S&P Completion. On 7 May 2015, Mr. Yip Seng Mun exercised 400,000 Options with an exercise price of HK\$0.165 per Share, which converted into 400,000 new Shares. After the S&P Completion and up to the Latest Practicable Date, Mr. Yip Seng Mun disposed of 3,761,000 Shares and was personally interested in 400,000 Shares. The Share Offer will be extended to these 400,000 Shares held by Mr. Yip Seng Mun.
7. Yip’s family refers to Mr. Yip Heon Ping, Mr. Yip Heon Keung and Mr. Yip Heon Wai, who were together personally interested in 15,200,000 Shares immediately before and immediately after the S&P Completion. Out of these 15,200,000 Shares, Mr. Yip Heon Ping, Mr. Yip Heon Keung and Mr. Yip Heon Wai were personally interested in 5,600,000 Shares, 5,600,000 Shares and 4,000,000 Shares respectively. On 7 May 2015, Mr. Yip Heon Wai exercised 500,000 Options with an exercise price of HK\$0.165 per Share, which converted into 500,000 Shares. After the said exercise of Options and as at the Latest Practicable Date, Mr. Yip Heon Ping, Mr. Yip Heon Keung and Mr. Yip Heon Wai were personally interested in 5,600,000 Shares, 5,600,000 Shares and 4,500,000 Shares respectively. The Share Offer will be extended to these 15,700,000 Shares held by the Yip’s family.
8. Right Advance Management Limited (“**Right Advance**”) is a company incorporated in the British Virgin Islands and its entire issued share capital is registered in the name of Ms. Wang Li Mei, and such Shares are ultimately owned by Mr. Wang Leilei. Ms. Wang Li Mei is the sole director of Right Advance.
9. Will City Limited is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Ms. Zhang Yingnan.

LETTER FROM THE BOARD

10. As at the Latest Practicable Date, the Company had a total of 4,550,000 outstanding Options which were granted to the following Optionholders, details of which are set out below:

Name of the Optionholders	Date of grant of the outstanding Options	Exercise price of Options granted (HK\$ per Share)	Option period of the outstanding Options	Number of new Shares issuable upon exercise of the outstanding Options
Mr. Yip Seng Mun	5 December 2013	0.165	5 December 2013 to 4 December 2023	400,000
Mr. Yip Heon Ping	5 December 2013	0.165	5 December 2013 to 4 December 2023	1,400,000
Mr. Yip Heon Keung	5 December 2013	0.165	5 December 2013 to 4 December 2023	1,400,000
Mr. Yip Heon Wai	5 December 2013	0.165	5 December 2013 to 4 December 2023	500,000
Other Optionholders	27 March 2013	0.162	27 March 2013 to 26 March 2023	50,000
	5 December 2013	0.165	5 December 2013 to 4 December 2023	400,000
	3 April 2008	0.410	3 April 2008 to 2 April 2018	200,000
	3 June 2008	0.417	3 June 2008 to 2 June 2018	200,000

LETTER FROM THE BOARD

INFORMATION ON THE OFFEROR

Your attention is drawn to the paragraph headed “Information of the Offeror” in the “Letter from One China Securities” as set out on page 8 to 22 of this Composite Document, and Appendix IV to this Composite Document.

OFFEROR’S INTENTION REGARDING THE GROUP

Your attention is drawn to the paragraph headed “Offeror’s intention regarding the Group” in the “Letter from One China Securities” as set out on page 8 to 22 of this Composite Document. The Board is aware of the intentions of the Offeror in respect of the Group 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.

MAINTENANCE OF THE LISTING STATUS OF THE COMPANY

As set out in the “Letter from One China Securities” on pages 8 to 22 of this Composite Document, the Offeror has no intention to privatize the Group. The Offeror intends to maintain the listing of the Shares on GEM after the close of the Offers. In the event that after the close of the Offers, the public float of the Company falls below 25%, Mr. Yip Heon Keung and Mr. Han Jun (each of them being the current executive Director who intended, as at the Latest Practicable Date, to remain on the Board following the close of the Offers) and the new Directors to be nominated by the Offeror (including Mr. Chen Weixi and Mr. Xu Zhigang, the directors of the Offeror) have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure sufficient public float exists for the Shares.

The Stock Exchange has indicated that if, upon closing of the Offers, less than 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 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.**

it will consider exercising its discretion to suspend trading in the Shares.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee is established to make recommendation to the Independent Shareholders and the Optionholders as to as to the fairness and reasonableness of the Offers and as to their acceptances.

We recommend Independent Shareholders and the Optionholders to read the “Letter from the Independent Board Committee” as set out on pages 34 and 35 of this Composite Document which contains its recommendation to the Independent Shareholders and the Optionholders in respect of the Offers, and the “Letter from the Independent Financial Adviser” as set out on pages 36 to 55 of this Composite Document containing its advice to the Independent Board Committee in respect of the Offers.

Yours faithfully,
For and on behalf of the Board
Prosten Technology Holdings Limited
Yip Heon Keung
Chairman



PROSTEN TECHNOLOGY HOLDINGS LIMITED

長達科技控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8026)

25 June 2015

To the Independent Shareholders and the Optionholders

Dear Sir or Madam,

**CONDITIONAL MANDATORY CASH OFFERS BY
ONE CHINA SECURITIES LIMITED
FOR AND ON BEHALF OF DYNAMIC PEAK LIMITED FOR
ALL THE ISSUED SHARES
(OTHER THAN THOSE ALREADY OWNED BY DYNAMIC PEAK LIMITED
AND PARTIES ACTING IN CONCERT WITH IT) IN, AND
THE CANCELLATION OF ALL OUTSTANDING SHARE OPTIONS OF,
PROSTEN TECHNOLOGY HOLDINGS LIMITED**

INTRODUCTION

We refer to the Composite Document dated 25 June 2015 jointly issued by the Offeror and the Company, of which this letter forms part. Terms used in this letter shall have the meanings as those defined in the Composite Document unless the context requires otherwise.

We have been appointed by the Board to form the Independent Board Committee to make recommendation to you as to whether, in our opinion, the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned and acceptance of the Offers, after taking into account the advice from Proton Capital Limited, the Independent Financial Adviser to the Independent Board Committee.

Details of advice from the Independent Financial Adviser and the principal factors it has taken into consideration in arriving at its recommendations are set out in the "Letter from the Independent Financial Adviser" on pages 36 to 55 of this Composite Document. Details of the Offers are set out in the "Letter from One China Securities", Appendix I of this Composite Document and the accompanying Forms of Acceptance.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice and recommendations of the Independent Financial Adviser and the principal factors taken into consideration by it in arriving at its opinion, we are of the opinion that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned. Accordingly, we recommend the Independent Shareholders and the Optionholders to accept the Share Offer and the Option Offer.

The Independent Shareholders and the Optionholders are reminded that their decisions to dispose of or hold their investment in the Shares are subject to their individual circumstances and investment objectives.

Notwithstanding our recommendation, the Independent Shareholders and the Optionholders should consider carefully the terms of the Offers and the “Letter from the Independent Financial Adviser” in this Composite Document.

Yours faithfully,

For and on behalf of

the Independent Board Committee of

Prosten Technology Holdings Limited

Ms. Li Luyi

Non-executive Director

Ms. Tse Yuet Ling, Justine

Independent non-executive Director

Mr. Tam Chun Wan

Independent non-executive Director

Ms. Lai May Lun

Independent non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Proton Capital Limited, the Independent Financial Adviser to the Independent Board Committee in respect of the Offers for the purpose of inclusion in this Composite Document.



普頓資本有限公司
PROTON CAPITAL LIMITED

Unit 1001, 10th Floor, Chuang's Tower,
30–32 Connaught Road Central, Central, Hong Kong

25 June 2015

To: The independent board committee of Prosten Technology Holdings Limited

Dear Sirs,

**CONDITIONAL MANDATORY CASH OFFERS BY
ONE CHINA SECURITIES LIMITED
FOR AND ON BEHALF OF DYNAMIC PEAK LIMITED FOR
ALL THE ISSUED SHARES (OTHER THAN THOSE ALREADY OWNED BY
DYNAMIC PEAK LIMITED AND PARTIES ACTING IN CONCERT WITH IT) IN, AND
THE CANCELLATION OF ALL OUTSTANDING SHARE OPTIONS OF
PROSTEN TECHNOLOGY HOLDINGS LIMITED**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offers, details of which are set out in the Composite Document dated 25 June 2015 jointly issued by the Company and the Offeror to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Composite Document unless the context requires otherwise.

The Board was informed by the Vendors that, on 1 April 2015, the Offeror and the Vendors entered into the S&P Agreement, pursuant to which the Offeror conditionally agreed to purchase and the Vendors conditionally agreed to sell the Sale Shares, being an aggregate of 294,276,619 Shares (representing approximately 36.96% of the issued share capital of the Company immediately after the S&P Completion), for a total consideration of HK\$79,454,687.13 (i.e. HK\$0.27 per Sale Share). The S&P Completion took place on 29 April 2015.

Prior to entering into the S&P Agreement, the Offeror and parties acting in concert with it were not interested in any Shares, warrants, options, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest in the Company. Immediately after the S&P Completion, the Offeror and parties acting in concert with it were interested in an aggregate of 294,276,619 Shares, representing approximately 36.96% of the issued share capital of the Company immediately after the S&P Completion. The Offeror is therefore, upon

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the S&P Completion, required under Rules 26.1 and 13.5 of the Takeovers Code to make conditional mandatory cash offers for all the issued Shares which are not already owned by it and parties acting in concert with it, and to cancel all the outstanding Options.

An Independent Board Committee comprising Ms. Li Luyi (being non-executive Director) and Mr. Tam Chun Wan, Ms. Tse Yuet Ling, Justine and Ms. Lai May Lun (all being independent non-executive Directors) has been formed to advise the Independent Shareholders and the Optionholders on whether the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Optionholders are concerned and as to the acceptance of the Offers. We, Proton Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offers pursuant to Rule 2.1 of the Takeovers Code. The appointment of Proton Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the Directors and the Offeror (where applicable). We have assumed that all information and representations that have been provided by the Directors and the Offeror (where applicable), for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the Offeror (where applicable) in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors and the Offeror (where applicable), which have been provided to us. Our opinion is based on the Directors' and the Offeror's representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Offers. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 17.92 of the GEM Listing Rules and Rule 2 of the Takeovers Code.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than the information relating to the Offeror and parties acting in concert it), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement contained in the Composite Document misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The directors of the Offeror, jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Group, the Vendors, their respective associates 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 the Composite Document (other than opinions expressed by the Group, the Directors, the Vendors, the directors of the Vendors (where applicable) and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Composite Document, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Vendors, the Offeror or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Offers. The Company has been separately advised by its own professional advisers with respect to the Offers and the preparation of the Composite Document (other than this letter).

We have assumed that the Offers will be consummated in accordance with the terms and conditions set forth in the Composite Document without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Offers, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Offers. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Proton Capital Limited to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Offers, we have taken into consideration the following principal factors and reasons:

(1) Background and terms of the Offers

The Board was informed by the Vendors that, on 1 April 2015, the Offeror and the Vendors entered into the S&P Agreement, pursuant to which the Offeror conditionally agreed to purchase and the Vendors conditionally agreed to sell the Sale Shares, being an aggregate of 294,276,619 Shares (representing approximately 36.96% of the issued share capital of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the Company immediately after the S&P Completion), for a total consideration of HK\$79,454,687.13 (i.e. HK\$0.27 per Sale Share). The S&P Completion took place on 29 April 2015.

Prior to entering into the S&P Agreement, the Offeror and parties acting in concert with it were not interested in any Shares, warrants, options, derivatives or other securities that are convertible or exchangeable into Shares or other types of equity interest in the Company. Immediately after the S&P Completion, the Offeror and parties acting in concert with it were interested in an aggregate of 294,276,619 Shares, representing approximately 36.96% of the issued share capital of the Company immediately after the S&P Completion. The Offeror is therefore, upon the S&P Completion, required under Rules 26.1 and 13.5 of the Takeovers Code to make conditional mandatory cash offers for all the issued Shares which are not already owned by it and parties acting in concert with it, and to cancel all the outstanding Options.

As at the Latest Practicable Date, the Company had 797,405,000 Shares in issue and 4,550,000 outstanding Options. 50,000 Options with option period from 27 March 2013 to 26 March 2023 have an exercise price of HK\$0.162; 4,100,000 Options with option period from 5 December 2013 to 4 December 2023 have an exercise price of HK\$0.165; 200,000 Options with option period from 3 April 2008 to 2 April 2018 have an exercise price of HK\$0.410; and 200,000 Options with option period from 3 June 2008 to 2 June 2018 have an exercise price of HK\$0.417. The outstanding Options are subject to certain vesting conditions, pursuant to which 1,837,500 Options have been vested and become exercisable, and the remaining 2,712,500 Options shall become exercisable subject to the vesting conditions. Nevertheless, as represented by the Directors, according to the terms of the Share Option Schemes, where a general offer is made to all the Shareholders and such offer becomes or is declared unconditional, the Optionholders are, notwithstanding any other terms on which his/her/its Options were granted, entitled to exercise the Option (to the extent not already exercised) to its full extent at any time thereafter and up to the close of such offer. Subject to the above, the Options will lapse automatically (to the extent not exercised) on the date which such offer (or, as the case may be, the revised offer) closes. As such, should the current Offers become or are declared unconditional, 4,550,000 outstanding Options shall become exercisable by the Optionholders thereafter and up to the close of the Offers (or, as the case may be, the revised Offers).

According to the Board's Letter, save for the Options, there were no outstanding options, derivatives or securities convertible into Shares and the Company had not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company as at the Latest Practicable Date.

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One China Securities is, for and on behalf of the Offeror and parties acting in concert with it and in compliance with the Takeovers Code, making the Offers on the following basis:

The Share Offer

For each Share held HK\$0.27 in cash

The Option Offer

For each Option

(a) with an exercise price of HK\$0.162 HK\$0.108 in cash

(b) with an exercise price of HK\$0.165 HK\$0.105 in cash

(c) with an exercise price of HK\$0.410 HK\$0.0001 in cash

(d) with an exercise price of HK\$0.417 HK\$0.0001 in cash

The Offeror has received the Letters of Undertaking executed by Mr. Wang Leilei (who was ultimately interested in 150,000,000 Shares, representing approximately 18.81% of the issued share capital of the Company as at the Latest Practicable Date) and Ms. Zhang Yingnan (who was ultimately interested in 100,000,000 Shares, representing approximately 12.54% of the issued share capital of the Company as at the Latest Practicable Date). Pursuant to the Letters of Undertaking, each of Mr. Wang Leilei and Ms. Zhang Yingnan has unconditionally and irrevocably undertaken to the Offeror and the Company that he/she (i) will not accept the Share Offer and will procure that any registered holder(s) controlled by him/her will not accept the Share Offer or sell any of the Non-acceptance Shares to the Offeror or parties acting in concert with it under the Share Offer; (ii) will not take any other action to make the Non-acceptance Shares available for acceptance of the Share Offer; and (iii) shall keep the Non-acceptance Shares and will not sell, transfer, dispose of any Non-acceptance Share to the Offeror or other third parties or otherwise create any interest on the Non-acceptance Shares before the close of the Offers. The Share Offer will therefore not be extended to the Non-acceptance Shares.

Accordingly, (i) (assuming that none of the Options have been exercised prior to the close of the Offers), excluding the Non-acceptance Shares under the Letters of Undertaking, 253,128,381 Offer Shares will be subject to the Share Offer and 4,550,000 Options will be subject to the Option Offer; or (ii) (assuming that all the Options have been fully exercised prior to the close of the Share Offer, excluding the Non-acceptance Shares under the Letters of Undertaking, the Company will have to issue 4,550,000 new Shares, representing approximately 0.57% of the enlarged issued share capital of the Company following such allotment and issue), 257,678,381 Offer Shares will be subject to the Share Offer.

Principal terms of the Offers are summarised in the “Letter from One China Securities” of and Appendix I to the Composite Document.

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(2) Financial information on the Group

The Company is an investment holding company and its issued Shares are listed on GEM since 2000. The Group is principally engaged in the provision of wireless music search and entertainment services, as well as the development of applications supporting internet and mainstream mobile phone platforms.

Set out below is a summary of the consolidated financial information on the Group as extracted from the annual reports of the Company for the years ended 31 March 2013, 2014 and 2015 respectively:

	For the year ended 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	57,161	24,209	9,763
Cost of sales	(29,840)	(11,919)	(3,213)
Gross profit	27,321	12,290	6,550
Selling expenses	(15,149)	(11,443)	(2,989)
Administrative expenses	(38,242)	(40,057)	(31,414)
Other expenses	(5,444)	(4,187)	(2,179)
Finance costs	(263)	(166)	(81)
(Loss) for the year attributable to the equity holders of the Company	(29,377)	(41,613)	(29,707)
	As at 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Cash and cash equivalents	39,050	12,570	1,778
Net assets/(liabilities)	49,475	10,816	(10,867)
Net current assets/(liabilities)	39,350	579	(18,058)

As set out in the above tables, there is a sliding trend in the financial performance of the Group for the three years ended 31 March 2015. There is a persistent decline in its revenue. Compare with a revenue of approximately HK\$57.16 million in the year ended 31 March 2013, the Company's revenue dropped by approximately 57.6% to approximately HK\$24.21 million in the year ended 31 March 2014, and further decreased by approximately 59.7% to approximately HK\$9.76 million in the year ended 31 March 2015. Gross profit of the Company dropped by approximately 55.0% to approximately HK\$12.29 million in the year

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ended 31 March 2014 from approximately HK\$27.32 million in the year ended 31 March 2013 and further decreased by approximately 46.7% to approximately HK\$6.55 million in the year ended 31 March 2015.

We noted that notwithstanding the decrease in revenue, administrative expenses of the Company remained at high level with staff related costs (including directors' remuneration) as the major expenditure.

As advised by the Directors, the increase in administrative expenses from approximately HK\$38.24 million in the year ended 31 March 2013 to approximately HK\$40.06 million in the year ended 31 March 2014 was mainly due to increase in share base payment to approximately HK\$2.47 million (2013: approximately HK\$0.38 million) and increase in impairment loss on bad debts to approximately HK\$1.35 million (2013: approximately HK\$0.73 million). In the year ended 31 March 2015, the total administrative expenses of the Group decreased by approximately 21.16% to approximately HK\$31.41 million, which was attributable to decrease in staff related costs resulted from lesser number of employee, decrease in share base payment to approximately HK\$0.27 million, reduce in impairment loss on bad debts to approximately HK\$0.22 million as well as adoption of tight control in other administrative expenses. We further noted that an impairment loss on fair value of investment property of approximately HK\$0.41 million was included in the other expenses in the year ended 31 March 2015.

Loss attributable to the equity holders of the Company for the three years ended 31 March 2013, 2014 and 2015 were approximately HK\$29.38 million, HK\$41.61 million and HK\$29.71 million, respectively.

Since the Company had been loss making for the past few years and notwithstanding that the Company successfully raised net proceeds of approximately HK\$3.8 million from the placement of new Shares at a price of HK\$0.27 per new Share as disclosed in the announcement of the Company dated 23 January 2015 and net proceeds of approximately HK\$3.95 million raised by the Company from the issuance of new Shares pursuant to exercise of Share Options during the three years ended 31 March 2015, the Group's net assets depleted and had changed from net assets of approximately HK\$49.48 million as at 31 March 2013 to net liabilities of approximately HK\$10.87 million as at 31 March 2015. The Group also recorded net current liabilities of approximately HK\$18.06 million as at 31 March 2015.

Cash and cash equivalents of the Group also decreased materially from approximately HK\$39.05 million as at 31 March 2013 to approximately HK\$1.78 million only as at 31 March 2015.

We have noted from the annual reports of the Company and understood from the Directors that provision of wireless music search services ("**WMS Services**") have been the main source of revenue of Group, representing approximately 81%, approximately 92% and 100% of the revenue of the Group for the three years ended 31 March 2015. As advised by the Directors, the decline in revenue and number of customers of the Group in recent years were mainly due to shortage of working capital which forced the Group to scale down its

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operation, and the change of charging model of the Group's WMS Services with its major customer from profit sharing to fixed operational support service fee, which is subject to further adjustment according to the customer's assessment on, among others, the stability, quality and usage of the WMS Services rendered by the Group. In addition, at the request of 中國工業和信息化部 (Ministry of Industry and Information Technology of the PRC*), telecommunication operators imposed tight control and measures on wireless service providers on the use of short message service ("SMS") for promotion purpose. This affected the public awareness of the Group's WMS Services and eventually had negative impact on the demand for and usage of the Group's WMS Services as well as its revenue and number of customers. After the year ended 31 March 2014, the Group ceased other wireless services with less attractive returns such as reading and lottery which had negative impacts on the revenue and number of customers of the Group in the year ended 31 March 2015.

We further noted from the annual report of the Company for the two years ended 31 March 2015 that auditors of the Company included an emphasis of matter relating to the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern in view of the adverse financial position of the Group.

Based on the financial results of the Company as discussed above, we consider that the Company's financial performance was far from satisfactory. As such, we are of the view that the Share Offer provides a good opportunity to those Shareholders who wish to redeploy their investment from the Company.

(3) Information on the Offeror

Set out below is the information on the Offeror as extracted from the "Letter from One China Securities" of the Composite Document:

The Offeror was incorporated in the British Virgin Islands with limited liability and is beneficially owned by Mr. Chen Weixi ("**Mr. Chen**") and Mr. Xu Zhigang ("**Mr. Xu**") as to 80% and 20% respectively. The Offeror is an investment holding company and did not carry on any business since its incorporation until the entering into the S&P Agreement.

As at the Latest Practicable Date, the directors of the Offeror are Mr. Chen and Mr. Xu. Both of them do not hold any directorships in any public or listed companies. The Offeror and its ultimate beneficial owners are third parties independent of, and not acting in concert with, the Vendors.

Set out below are the biographies of Mr. Chen and Mr. Xu as extracted from "Letter from One China Securities" of the Composite Document:

Mr. Chen, aged 28, is a graduate from the department of economics from Southern Methodist University in the United States. Mr. Chen is currently the general manager of 深圳市金茂會投資有限公司 (Shenzhen Jin Mao Hui Investment Limited*) and 深圳前海紅鼎投資基金管理有限公司 (Shenzhen Qian Hai Hong Ding Investment Funds Management Limited*)

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and the chief investment officer of 深圳市紅鼎資產管理有限公司 (Shenzhen Hang Ding Assets Management Limited*). Mr. Chen has engaged in various areas in finance and real estate, managed different investment projects and conducted in-depth studies in the field of crowd-sourcing and online to offline aspects.

Mr. Xu, aged 44, holds a master's degree in business management from Southwest Jiaotong University in the PRC. Mr. Xu has extensive experience in areas such as corporate management, business financing, corporate investment and asset acquisition. Mr. Xu worked in 深圳市智偉龍實業有限公司 (Shenzhen Zhiweilong Holdings Limited*) since March 2003 and he subsequently worked as a financial controller, chief executive and took up other positions in 深圳市智偉龍實業有限公司 (Shenzhen Zhiweilong Holdings Limited*) and 深圳市智偉龍實業集團 (Shenzhen Zhiweilong Holdings Group*), companies which carry on the businesses of production of electronic products and property leasing. During the tenure of Mr. Xu in 深圳市智偉龍實業有限公司 (Shenzhen Zhiweilong Holdings Limited*) and 深圳市智偉龍實業集團 (Shenzhen Zhiweilong Holdings Group*), he led or participated in some of the major investment and asset acquisition projects. Since 2014, Mr. Xu acted as the vice president of Mega Medical Technology Limited (formerly known as “Wing Tai Investment Holdings Limited”) (stock code: 876), a company listed on the Stock Exchange, carrying on electronic manufacturing services business. As a vice president, Mr. Xu was responsible for assisting the president for the administration of Mega Medical Technology Limited. Mr. Xu was an executive director and later re-designated as a non executive director of Aurum Pacific (China) Group Limited (stock code: 8148) from September 2014 to March 2015, a company listed on the Stock Exchange.

We noted that the background of Mr. Chen and Mr. Xu, being the beneficial owner and the directors of the Offeror as the Latest Practicable Date, are different from the existing business of the Group. As such, we consider that there is an uncertainty of the benefit that the Offeror may bring to the Company in the future.

(4) Intention of the Offeror in relation to the Group

We understand from the “Letter from One China Securities” of the Composite Document that it is the intention of the Offeror that the Group will continue its existing principal business and the Offeror does not intend to introduce any major changes to the business of the Group, including any redeployment of the fixed assets of the Group. Following completion of the Offers, the Offeror will conduct a review of the business operations and financial position of the Group for the purpose of formulating suitable business plans and strategies for the future business development of the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider future development of the Group's existing business, or acquisition of assets and/or business by the Group in order to enhance its revenue. As at the Latest Practicable Date, the Offeror has no plan for any acquisition or disposal of the existing assets or business of the Group.

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Furthermore, save for the change of board composition of the Company as disclosed in the subsection headed “Proposed change of board composition of the Company” below, the Offeror has no intention to discontinue the employment of the employees of the Group.

Proposed change of the Board composition

As at the Latest Practicable Date, the Board is made up of seven Directors, comprising three executive Directors, namely Mr. Yip Heon Keung, Mr. Yip Heon Ping and Mr. Han Jun, one non-executive Director, namely Ms. Li Luyi, and three independent non-executive Directors, namely Mr. Tam Chun Wan, Ms. Tse Yuet Ling, Justine and Ms. Lai May Lun. Upon completion of the Offers, it is intended that save for Mr. Yip Heon Keung, who will be re-designated from an executive Director to a non-executive Director, and Mr. Han Jun, who will remain as an executive Director, all existing executive Directors, non-executive Director and independent non-executive Directors will resign from their office with effect from the earliest time permitted under the GEM Listing Rules, the Takeovers Code or other applicable laws (whichever is the latest).

In addition, the Offeror intends to appoint Mr. Xu Zhigang and Ms. Ding Pingying as executive Directors, Mr. Chen Weixi as non-executive Director and Ms. Wong Chi Yan, Mr. Xu Xiaoping and Mr. Lam Kwok Cheong as independent non-executive Directors with effect from the earliest time permitted under the GEM Listing Rules, the Takeovers Code or other applicable laws (whichever is the latest). Any changes to the composition of the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules. An announcement will be published by the Company in this regard. The biographic details of the proposed new Directors are set out in the section headed “Proposed Change of board composition of the Company” in the “Letter from One China Securities” of the Composite Document.

Maintaining the listing status of the Company

According to the Letter from One China Securities, the Offeror intends to maintain the listing of the Shares on GEM after the close of the Offers. In the event that after the close of the Offers, the public float of the Company falls below 25%, Mr. Yip Heon Keung and Mr. Han Jun (each of them being the current executive Director who intended, as at the Latest Practicable Date, to remain on the Board following the close of the Offers) and the new Directors nominated by the Offeror (including Mr. Chen and Mr. Xu, the directors of the Offeror) have jointly and severally undertaken to the Stock Exchange to take appropriate steps to ensure sufficient public float exists for the Shares.

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The Stock Exchange has indicated that if, upon the close of the Offers, less than 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.

(5) The Offer Price

The Offer Price of HK\$0.27 per Share represents:

- (i) a discount of approximately 10.00% to the closing price of HK\$0.30 per Share as quoted by the Stock Exchange on the Last Full Trading Day;
- (ii) a discount of approximately 32.50% to the closing price of HK\$0.40 per Share as quoted by the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 15.63% to the average closing price of approximately HK\$0.32 per Share for the 5 trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 10.00% to the average closing price of approximately HK\$0.30 per Share for the 10 trading days up to and including the Last Trading Day;
- (v) a discount of approximately 3.57% to the average closing price of approximately HK\$0.28 per Share for the 30 consecutive trading days up to and including the Last Trading Day;
- (vi) a substantial premium over the audited consolidated net liabilities of approximately HK\$0.01 per Share as at 31 March 2015 and 797,405,000 Shares in issue as at the Latest Practicable Date; and
- (vii) a discount of approximately 74.53% to the closing price of HK\$1.06 per Shares as quoted on the Stock Exchange on the Latest Practicable Date.

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(a) *Historical price performance of the Shares*

We have reviewed the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 1 April 2014 leading up to the trading halt of the Shares on Stock Exchange on 30 March 2015 (both days inclusive) (the “**Pre-Joint Announcement Period**”) and from 30 April 2015 to the Latest Practicable Date (both days inclusive) (the “**Post-Joint Announcement Period**”, collectively known as the “**Review Period**”). The following chart sets out the closing prices of the Shares as quoted on the Stock Exchange during the Review Period:

Closing prices of the Shares during the Review Period



(i) *Pre-Joint Announcement Period*

As illustrated by the above chart, during the Pre-Joint Announcement Period, closing price of the Shares ranged from HK\$0.141 on 24 and 25 July 2014 to HK\$0.400 on 30 March 2015 with an average of HK\$0.224. The Offer Price has been above the closing prices of the Shares during 170 out of 246 days of the Pre-Joint Announcement Period and represented a material premium of approximately 91.5% over the lowest closing price of the Shares of HK\$0.141 recorded on 24 and 25 July 2014 and a premium of 20.5% over the average closing price of the Shares of HK\$0.224 during the Pre-Joint Announcement Period.

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We noted that closing prices of Shares had surged by 27.3% to HK\$0.275 on 29 October 2014 from HK\$0.216 on 28 October 2014 and thereafter fluctuated around the Offer Price of HK\$0.27 since then. As confirmed with the Directors, save for the profit warning announcements dated 6 November 2014 and 28 January 2015 in respect of the results for the six months ended 30 September 2014 and the nine months ended 31 December 2014, respectively (the “**Profit Warning Announcements**”), announcements dated 23 January 2015 and 30 January 2015 relating to placing of new Shares at a placing price of HK\$0.27 per new Share, announcement dated 5 February 2015 in relation to redesignation of director and resignation of chief executive officer and announcements dated 10 November 2014 and 3 February 2015 in respect of the results for the six months ended 30 September 2014 and the nine months ended 31 December 2014, respectively, they are not aware of any material announcements which might cause such changes. Also, as confirmed by the Directors, there was no other event that had not been announced by the Company which might have contributed to the increase since late October 2014.

Trading in the Shares was halted from 1:29 p.m. on 30 March 2015 pending the release of the Joint Announcement.

(ii) *Post-Joint Announcement Period*

Trading of the Shares was resumed on 30 April 2015 and closing price of the Shares increased by 12.5% from HK\$0.400 on 30 March 2015 to HK\$0.450 on 30 April 2015. Thereafter, closing price of the Shares fluctuated and increased materially to HK\$1.110, the second highest closing price of Shares in the Review Period, on 16 June 2015 despite the Company’s a profit warning announcement for the year ended 31 March 2015 and relating clarification announcement dated 12 June 2015 and 15 June 2015, respectively (collectively, the “**2014/15 Profit Warning Announcements**”). As at the Latest Practicable Date, closing price of Shares was HK\$1.06. We noted that besides the Joint Announcement, the announcement dated 14 May 2015 relating to issuance of new Shares pursuant to exercise of 1,300,000 Options at an exercise of HK\$0.165 per Share, the 2014/15 Profit Warning Announcements and the final results announcement dated 22 June 2015 for the year ended 31 March 2015, the Company had not published any material announcements at the relevant time. As confirmed by the Directors, there was no other event that had not been announced which might have contributed to the increase in the Post-Joint Announcement Period.

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From the above observation, we consider that the surge in the closing prices of the Shares since late October 2014 was not supported by the fundamentals of the Company especially taking into account of the deteriorating financial performance of the Company as evidenced by the Profit Warning Announcements. Whereas for the Post-Announcement Period, we consider that the surge in the closing prices of the Shares reflected the market's positive reaction to the change of controlling Shareholder and therefore, the recent market price of the Shares may not be sustained after the close of the Offers.

On the basis that (i) the Offer Price has been above the closing prices of the Shares during 170 out of 246 days of the Pre-Joint Announcement Period and represented a material premium over the lowest closing price of the Shares and a premium over the average closing price of the Shares during the Pre-Joint Announcement Period; (ii) the increase in the closing prices of the Shares since late October 2014 was not supported by the fundamentals of the Company in view of the Profit Warning Announcements; and (iii) the surge in the closing prices of the Shares in the Post-Announcement Period reflected the market's positive reaction to the change of controlling Shareholder and may not be sustained after the close of the Offers, we are of the view that the Offer Price is fair and reasonable.

(b) *Net asset value of the Shares*

As disclosed above, the Offer Price represents a substantial premium over the audited consolidated net liabilities attributable to the equity holders of the Company of approximately HK\$0.01 per Share as at 31 March 2015. Judging from the prospective of the audited consolidated net liabilities of the Company, the Offer Price is reasonable.

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(c) *Historical trading liquidity of the Shares*

The number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Latest Practicable Date; and (ii) the total number of issued Shares as at the Latest Practicable Date during the Review Period are tabulated as below:

Month	No. of trading days in each month	Average daily trading volume (the "Average Volume") Shares	% of the Average Volume to total number of issued Shares held by the public as at the end of the relevant month (Note 2) %	% of the Average Volume to total number of issued Shares as at the end of the relevant month (Note 3) %
2014				
April	20	107,500	0.06	0.01
May	20	46,650	0.02	0.01
June	20	42,600	0.02	0.01
July	22	92,955	0.05	0.01
August	21	265,714	0.14	0.04
September	21	744,667	0.39	0.10
October	21	571,000	0.29	0.08
November	20	569,200	0.29	0.07
December	21	991,714	0.51	0.13
2015				
January	21	168,857	0.08	0.02
February	18	41,556	0.02	0.01
March (Note 1)	21	554,381	0.23	0.07
April (Note 1)	1	38,198,000	16.49	4.80
May	19	6,350,915	2.68	0.80
June (up to and including the Latest Practicable Date)	17	4,202,294	1.77	0.53

Source: the Stock Exchange web-site (www.hkex.com.hk)

Note: Trading in the Shares was suspended from 1:26 p.m. on 30 March 2015 to 29 April 2015 (both days inclusive) pending the release of the Joint Announcement.

We noted from the above table that trading in the Shares had been extremely thin (less than 1% of the issued Shares held by the public as at the end of the relevant month were traded) during the Review Period (except for April 2015, May 2015 and June 2015 (up to and including the Latest Practicable Date)). In light of that the Shares are highly illiquid, the disposal of large block of Shares held by the Shareholders in the open market may trigger price slump of the Shares. For this reason, there is no guarantee that Independent Shareholders will be able to realise their investments in the Shares (especially those with relatively sizeable shareholdings) at a price which is higher than

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the Offer Price. For this reason, we consider that the Share Offer provides an exit alternative for the Independent Shareholders who would like to realise their investments in the Shares at the Offer Price.

Nonetheless, if any Independent Shareholders who would like to realise their investments in the Shares are able to dispose of their Shares in the open market and/or identify potential purchaser(s) to acquire their Shares at a price higher than the Offer Price, those Independent Shareholders may consider not accepting the Share Offer but selling their Shares in the open market and/or to such potential purchaser(s), as they wish to do so and as they think fit having regard to their own circumstances, in case the net proceeds from the sale of their Shares would exceed the net amount receivable under the Share Offer.

Accordingly, Independent Shareholders should closely monitor the market price and liquidity of the Shares during the Offer Period and carefully consider the relevant risks and uncertainties based on their individual risk preference and tolerance level. Those Independent Shareholders who are optimistic about the future prospects of the Group after the Offers and/or decide to retain part or all of their investments in the Shares should also carefully monitor the financial performance of the Group as well as the intention of the Offeror in relation to the Company in the future, and the potential difficulties they may encounter in disposing of their investments in the Shares after the close of the Share Offer.

(d) *Prospects of the Group*

According to the annual report of the Company for the year ended 31 March 2015, the telecommunication industry has been going through significant structural changes and couple with the impact of the rapid advancement of technologies changed the overall industry landscape. As discussed in the section headed “Financial Information on the Group” in this letter, at the request of 中國工業和信息化部 (Ministry of Industry and Information Technology of the PRC*) (工信部電管函 [2012] 126號 Dian Xin Bu Dian Guan Han No. 126 of 2012*), telecommunication operators imposed tight control and measures on wireless service providers on the use of SMS for promotion purpose. This affected the public awareness of the Group’s WMS Services and eventually had negative impact on the demand for and usage of its WMS Services as well as its revenue in the past few years. On 19 May 2015, 中國工業和信息化部 (Ministry of Industry and Information Technology of the PRC*) further promulgated an order (通訊短信息服務管理規定 Regulation for the Administration of Short Message Service*) prohibiting the dissemination of commercial SMS in the absence of prior consent from recipients from 30 June 2015 onward.

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The Offeror has indicated in the “Letter from One China Securities” of the Composite Document that it is the intention of the Offeror that the Group will continue its existing principal business. Following completion of the Offers, the Offeror will conduct a review of the business operations and financial position of the Group for the purpose of formulating suitable business plans and strategies for the future business development of the Group. Subject to the results of the review, and should suitable investment or business opportunities arise, the Offeror may consider future development of the Group’s existing business, or acquisition of assets and/or business by the Group in order to enhance its revenue. As at the Latest Practicable Date, the Offeror had no plan for any acquisition or disposal of the existing assets or business of the Group.

Based on the aforesaid, we consider that the future prospects of the Group are uncertain and will depend on the future business plan and strategy of the Company to be formulated by the new Directors.

(e) *Comparison with comparable companies*

In assessing the fairness and reasonableness of the Offer Price, we have attempted to perform a price-to-earnings ratios (the “**P/E Ratios**”) analysis, which is one of the most widely used and accepted methods for valuing a business with recurrent income. Given the Company recorded operating losses in the past few years, we consider that it is not feasible to assess the Offer Price using the P/E Ratio approach. In addition, as the Group did not declare or distribute any dividend for the last financial year, we consider that the price-to-dividends approach is not applicable in assessing the fairness or reasonableness of the Offer Price in this case. In view that the Group’s principal business and its revenue in the last financial year was entirely derived from provision of WMS Service in the PRC, we have tried to identify and have enquired with the Company if there is any listed companies on the Stock Exchange which are engaged in business in the PRC that is same as that of the Group for comparison purpose so that we can further assess the fairness and reasonableness of the Offer Price by comparing the price-to-book ratio. Nonetheless, based on the result of our enquiry with the Company and to the best of our knowledge and as far as we are aware of, being our exhaustive means, as at the Latest Practicable Date, we were not able to identify any companies listed on the Stock Exchange pursuant to the above selection criteria. As such, we consider the assessment of the Offer Price by way of comparison with comparable companies is not applicable.

(6) The Option Offer Price

As at the Latest Practicable Date, the Company had 797,405,000 Shares in issue and 4,550,000 outstanding Options. 50,000 Options with option period from 27 March 2013 to 26 March 2023 have an exercise price of HK\$0.162 (“**Option I**”); 4,100,000 Options with option period from 5 December 2013 to 4 December 2023 have an exercise price of HK\$0.165

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(“**Option II**”); 200,000 Options with option period from 3 April 2008 to 2 April 2018 have an exercise price of HK\$0.410 (“**Option III**”); and 200,000 Options with option period from 3 June 2008 to 2 June 2018 have an exercise price of HK\$0.417 (“**Option IV**”).

According to Practice Note 6 titled “Appropriate offers for convertibles or warrants under Rule 13 and calculation of ‘see-through’ price” issued by the SFC, the see-through value of each option would be the difference between the offer price for each ordinary share and the exercise price of each option. The Offer Price of each Offer Share is HK\$0.27. Therefore, in respect of each of the In-the-Money Option (namely Option I and Option II), the Option Offer Price represents the difference between the Offer Price and the respective exercise prices of these Options. In respect of the Out-of-Money Options (namely Option III and Option IV), the exercise prices of these Options are higher than the Offer Price and thus the “see through” price of the Out-of-Money Option is zero).

Since the Option Offer Price of each In-the-Money Option (namely Option I and Option II) represents the difference between the Offer Price and the respective exercise prices of these Options; whilst for the Out-of-Money Options (namely Option III and Option IV), the “see through” price is zero while their Option Offer Price is of a nominal value, we consider that the terms of the Option Offer are fair and reasonable so far as the Optionholders are concerned.

RECOMMENDATION

Although the Offer Price represents a discount to the market price of the Shares at the Latest Practicable Date, having considered the principal factors and reasons as discussed above, in particular:

- (i) auditors’ emphasis of matter in the audited accounts of the Company for the two years ended 31 March 2015 relating to the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern;
- (ii) the persistently shrinking revenue and loss making position of the Group over the past few years;
- (iii) the deteriorating financial position of the Group and the Group recorded net liabilities and net current liabilities as at 31 March 2015;
- (iv) a substantial premium over the audited consolidated net liabilities of approximately HK\$0.01 per Share as at 31 March 2015 and based on 797,405,000 Shares in issue as at the Latest Practicable Date;
- (v) the Offeror intends to continue the existing business of the Group but it has no plan to boost the revenue of the Group;

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- (vi) the Offer Price has been above the closing prices of the Shares during 170 out of 246 days of the Pre-Joint Announcement Period and represented a material premium over the lowest closing price of the Shares and a premium over the average closing price of the Shares during the Pre-Joint Announcement Period;
- (vii) the increase in the closing prices of the Shares since late October 2014 in the Pre-Joint Announcement Period was not supported by the fundamentals of the Company in view of the Profit Warning Announcements;
- (viii) the surge in the closing prices of the Shares in the Post-Joint Announcement Period reflected the market's positive reaction to the change of controlling Shareholder and may not be sustained after the close of the Offers; and
- (ix) in view of the extremely thin trading volume, it may not be possible for the Independent Shareholders to dispose of the Shares in the open market at the Offer Price, the disposal of large block of Shares held by the Shareholders in the open market may trigger price slump of the Shares in light of that the Shares are highly illiquid;

we consider that the terms of the Share Offer (including the Offer Price) is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to accept the Share Offer.

On the other hand, since the Option Offer Price of each In-the-Money Option (namely Option I and Option II) represents the difference between the Offer Price and the respective exercise prices of these Options; whilst for the Out-of-Money Options (namely Option III and Option IV), the "see through" price is zero while their Option Offer Price is of a nominal value, we consider that the terms of the Option Offer are fair and reasonable so far as the Optionholders are concerned. Based on the foregoing, we recommend the Independent Board Committee to advise the Optionholders to accept the Option Offer.

However, given the Offer Price is substantially below the market price of the Shares as at the Latest Practicable Date, we would like to advise the Independent Board Committee to remind the Independent Shareholders to closely monitor the market price and liquidity of the Shares during the Offer Period and should the Independent Shareholders intend to realise their investment in the Company, they should consider selling their Shares in the open market where possible, instead of accepting the Share Offer, if the net proceeds from such sales exceed the net amount receivable under the Share Offer.

Those Independent Shareholders/Optionholders who decide to retain part or all of their investments in the Shares/Options should carefully monitor the intention of the Offeror in relation to the Company in the future and the potential difficulties they may encounter in realising their investments after the close of the Offers. Further terms and conditions of the Offers are set out in the "Letter from One China Securities" of and Appendix I to the Composite Document.

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In addition, as different Independent Shareholders/Optionholders would have different investment criteria, objectives and/or circumstances, we would recommend any Independent Shareholders/Optionholders 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.

Yours faithfully,
For and on behalf of
Proton Capital Limited
Josephine Lau
Director — Corporate Finance

* *For identification purpose only*

1. PROCEDURES FOR ACCEPTANCE OF THE OFFERS

1.1 The Share Offer

- (a) To accept the Share Offer, you should complete and sign the accompanying WHITE Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Share Offer.
- (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 Offer Shares is/are in your name, and you wish to accept the Share Offer in respect of your Offer Shares (whether in full or in part), you must send the WHITE 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, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong marked "**Prosten Technology Holdings Limited — Share 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. (Hong Kong time) on Thursday, 16 July 2015, the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) 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 Offer Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Share Offer in respect of your Offer 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) in respect of your Offer Shares with the nominee company, or other nominee, and with instructions authorising it to accept the Share Offer on your behalf and requesting it to deliver the accompanying WHITE Form of Acceptance duly completed 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) for the number of Offer Shares in respect of which you intend to accept the Share Offer to the Registrar in an envelope marked "**Prosten Technology Holdings Limited — Share Offer**";
 - (ii) arrange for the Offer Share(s) to be registered in your name through the Registrar and send the accompanying WHITE 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) for the number of Offer Shares in respect of which you intend to accept the Share Offer to the Registrar in an envelope marked “**Prosten Technology Holdings Limited — Share Offer**”;
- (iii) if your Offer Shares have been lodged with your licensed securities dealer (or other registered dealer in securities or custodian bank) and are held through CCASS, instruct your licensed securities dealer (or other registered dealer in securities or custodian bank) to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set out by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities or custodian bank) for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities or custodian bank) as required by them; or
- (iv) if your Offer Shares have been lodged with your investor participant’s account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.
- (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 Offer Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Share Offer in respect of your Offer Shares, the WHITE Form of Acceptance should nevertheless be completed and delivered in an envelope marked “**Prosten Technology Holdings Limited — Share Offer**” 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/they is/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 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), you should also write to the Registrar for a form of letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the Registrar. The Offeror shall have the absolute discretion to decide whether any Offer Shares in respect of which the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

- (e) If you have lodged transfer(s) of any of your Offer Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Share Offer in respect of your Offer Shares, you should nevertheless complete and sign the WHITE Form of Acceptance and deliver it in an envelope marked “**Prosten Technology Holdings Limited — Share Offer**” to the Registrar together with the transfer receipt(s) duly signed by you. Such action will be deemed to be an irrevocable instruction and authority to each of the Offeror and/or One China Securities and/or any of 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 and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Share Offer, as if it was/they were delivered to the Registrar with the WHITE Form of Acceptance.
- (f) Acceptance of the Share Offer will be treated as valid only if the duly completed and signed WHITE Form of Acceptance is received by the Registrar by no later than 4:00 p.m. (Hong Kong time) on Thursday, 16 July 2015, being the First Closing Date, or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code and the Registrar has recorded that the WHITE Form of Acceptance and any relevant documents required 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) is/are not in your name, such other documents (for example a duly stamped transfer of the relevant Offer Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Offer Shares; or
 - (ii) from a registered Shareholder or his/her personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Offer Shares which are not taken into account under another subparagraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.
- (g) If the WHITE Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (for example grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (h) No acknowledgement of receipt for any WHITE Form(s) 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.

1.2 The Option Offer

- (a) To accept the Option Offer, you should complete the PINK Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Option Offer.
- (b) The completed PINK Form of Acceptance should be forwarded, together with the relevant letter(s) or other document(s) evidencing the grant of the relevant Options you intend to tender, stating the number of Options in respect of which you intend to accept the Option Offer, by post or by hand, marked “**Prosten Technology Holdings Limited — Option Offer**” on the envelope, to the company secretary of the Company at Unit 802, 8/F., Dominion Centre, 43–59 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any event to reach the company secretary of the Company no later than 4:00 p.m. (Hong Kong time) on Thursday, 16 July 2015, being the First Closing Date, or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code.
- (c) If the relevant letter(s) or other document(s) evidencing the grant of the relevant Options is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Option Offer, the PINK Form of Acceptance should nevertheless be completed and delivered in an envelope marked “**Prosten Technology Holdings Limited — Option Offer**” to the company secretary of the Company together with a letter stating that you have lost one or more of your relevant letter(s) or other document(s) evidencing the grant of the relevant Options (if applicable) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the company secretary of the Company as soon as possible thereafter. If you have lost your relevant letter(s) or other document(s) evidencing the grant of the relevant Options (if applicable), you should also write to the company secretary of the Company requesting a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the company secretary of the Company.
- (d) No stamp duty will be deducted from the amount paid or payable to the Optionholders who accept the Option Offer.
- (e) No acknowledgment of receipt of any PINK Form(s) of Acceptance and/or letter(s) or other document(s) evidencing the grant of the Options will be given.

2. ACCEPTANCE PERIOD AND EXTENSIONS

- (a) Where the Offers have become unconditional, they will remain open for acceptances for not less than 14 days thereafter.
- (b) Unless the Offers have previously been revised or extended with the consent of the Executive, to be valid, the WHITE Form of Acceptance must be received by the Registrar in respect of the Share Offer and the PINK Form of Acceptance must be received by the company secretary of the Company in respect of the Option Offer, by 4:00 p.m. on Thursday, 16 July 2015, being the First Closing Date.
- (c) If the Offers are extended, the announcement of such extension will state the next closing date or a statement that the Offers will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given before the Offers are closed to the Independent Shareholders and the Optionholders who have not accepted the Offers, and an announcement will be released.
- (d) If the First Closing Date is extended, any reference in this Composite Document and in the Forms of Acceptance to the First Closing Date shall, except where the context otherwise requires, be deemed to refer to the subsequent offer closing date.

3. SETTLEMENT UNDER THE OFFER

- (a) Subject to the Offers having become unconditional, settlement of the consideration under the Offers will be made as soon as possible, but in any event within seven (7) Business Days of (i) the date of receipt of a duly completed Form of Acceptance by the Registrar (in the case of the Share Offer) or the company secretary of the Company (in the case of the Option Offer) and (ii) the date on which the Offers become or are declared unconditional, whichever is the later.
- (b) In the case of Independent Shareholders accepting the Share Offer, each cheque will be despatched by ordinary post to the address specified on the relevant Independent Shareholder's WHITE Form of Acceptance in respect of the Share Offer at his/her own risk. In the case of Optionholders accepting the Option Offer, each cheque will be despatched by ordinary post to the address specified on the relevant Optionholder's PINK Form of Acceptance in respect of the Option Offer at his/her own risk.
- (c) No fractions of a cent will be payable and the amount of cash consideration payable to an Independent Shareholder who accepts the Share Offer or an Optionholder who accepts the Option Offer will be rounded up to the nearest cent.
- (d) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

- (e) Settlement of the consideration to which any Independent Shareholder or Optionholder is entitled under the Offers will be implemented in full in accordance with the terms of the Offers, 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 or Optionholder.

4. EFFECT OF ACCEPTANCE OF THE OFFERS AND RIGHT OF WITHDRAWAL

- (a) By validly accepting the Share Offer, Independent Shareholders will sell to the Offeror their tendered Offer Shares free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at 25 June 2015, being the date of despatch of this Composite Document, or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after 25 June 2015 being the date of despatch of this Composite Document.
- (b) The Share Offer is conditional upon fulfilment of the Condition set out in the “Letter from One China Securities” in this Composite Document and the Option Offer is conditional upon the Share Offer becoming unconditional. Acceptances of the Share Offer and the Option Offer tendered by Independent Shareholders and Optionholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the following paragraph or in compliance with Rule 17 of the Takeovers Code, which provides that an acceptor of the Share Offer or the Option Offer shall be entitled to withdraw his/her/its acceptance within 21 days from the First Closing Date if the Share Offer has not by then become unconditional as to acceptances. An acceptor of the Share Offer or the Option Offer may withdraw his/her/its acceptance by lodging a notice in writing signed by the acceptor (or his/her/its agent duly appointed in writing and evidence of whose appointment is produced together with the notice) to the Registrar.
- (c) Under Rule 19.2 of the Takeovers Code, if the Offeror is unable to comply with any of the requirements of making announcements relating to the Offers set out in section 5 of this Appendix, the Executive may require that the Independent Shareholders and Optionholders who have tendered acceptances to the Offers be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that section are met.
- (d) Upon the withdrawal of an acceptance by an Independent Shareholder or an Optionholder, or upon the withdrawal or lapse of the Offers, the Offeror shall (or shall procure), as soon as possible but in any event within 10 days thereof, return by ordinary post of, in the case of an Independent Shareholder, 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) in respect of the Share(s) lodged with the WHITE Form of Acceptance in respect of the Share Offer to such Independent

Shareholder or, in the case of an Optionholder, the relevant letter(s) or other document(s) evidencing the grant of the relevant Options lodged with the PINK Form of Acceptance to such Optionholder.

5. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the First Closing Date (or such other time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the extension, expiry or unconditionality of the Offers. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date stating whether the Offers have been extended, have expired or have become unconditional.
- (b) The announcement of the results of the Offers will be jointly issued by the Offeror and the Company and posted on the website of the Stock Exchange by 7:00 p.m. on the First Closing Date. Such announcement will comply with the disclosure requirements under Rule 19.1 of the Code and will include, among other things, the results of the Offers.
- (c) The results announcements shall specify the total number of Offer Shares and rights over Offer Shares:
 - (i) for which acceptances of the Offers have been received;
 - (ii) held, controlled or directed by the Offeror or parties acting in concert with it before the Offer Period; and
 - (iii) acquired or agreed to be acquired during the Offer Period by the Offeror or any parties acting in concert with it.
- (d) The results announcements must include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed Offer Shares which have been either on-lent or sold.
- (e) The results announcements shall include the percentages of the relevant classes of share capital of the Company, and the percentages of voting rights, represented by the numbers of Offer Shares and other relevant securities referred to in paragraphs (c) and (d) above.
- (f) If the Offeror, any parties acting in concert with it or its advisers make any statement about the level of acceptances or the number or percentage of accepting Shareholders during the Offer Period, then the Offeror must make an immediate announcement in compliance with Note 2 to Rule 19 of the Takeovers Code.

- (g) As required under the Takeovers Code and the Listing Rules, all announcements in relation to the Offers in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon, will be published on the websites of the Stock Exchange and the Company.

6. NOMINEE REGISTRATION

To ensure the equality of treatment of all Shareholders, those registered Shareholders who hold the Offer Shares as nominees on behalf of more than one beneficial owner 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 Share Offer, it is essential that they provide instructions of their intentions in relation to the Share Offer to their respective nominees.

7. OVERSEAS SHAREHOLDER(S) AND OPTIONHOLDERS

- (a) The Offers are made in respect of a company incorporated in the Cayman Islands and listed on GEM and are therefore subject to the procedure and disclosure requirements of laws, regulations and rules in Hong Kong, which may be different from those of other jurisdictions. The ability of Shareholders and Optionholders who are citizens, residents or nationals of jurisdictions outside of Hong Kong to participate in the Offers may be subject to, and may be limited by, the laws and regulations of their respective jurisdictions. It is the responsibility of each such Shareholder or Optionholder to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents, or filing and registration and the payment of any transfer or other taxes due from such Shareholder or Optionholder in such relevant jurisdictions.
- (b) Any acceptance by any Shareholder or Optionholder will be deemed to constitute a representation and warranty from such Shareholder or Optionholder to the Offeror and the Company that all local laws and requirements have been complied with and that the Offers can be accepted by such Shareholder lawfully under the laws of the relevant jurisdiction. The Shareholders or Optionholders should consult their professional advisers if in doubt.

8. TAXATION

- (a) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Share Offer will be payable by each relevant Shareholder at a rate of 0.1% and will be deducted from the cash amount payable by the Offeror to the relevant Shareholders accepting the Share Offer. The Offeror will pay the buyer's ad valorem stamp duty on its own behalf and, subject to such deduction aforesaid will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of

the Offer Shares which are validly tendered for acceptance under the Share Offer. No stamp duty will be deducted from the amount paid or payable to Optionholders who accept the Option Offer.

- (b) Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offers. It is emphasized that none of the Offeror or the Company, and their ultimate beneficial owners and parties acting in concert with any of them, One China Securities, Kingston Corporate Finance, the Registrar or any of their respective directors or professional advisers or any persons involved in the Offers or any of their respective agents is in a position to advise the Independent Shareholders on their individual tax implications nor accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offers.

9. GENERAL

- (a) All communications, notices, Forms of Acceptance, share certificate(s), transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offers to be delivered by or sent to or from the Independent Shareholders and Optionholders will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of the Offeror, the Company, One China Securities, Kingston Corporate Finance, the Registrar or any of their respective directors or agents or professional advisers or any other person involved in the Offers accepts any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the WHITE Form of Acceptance and the PINK Form of Acceptance form part of the terms of the Share Offer and the Option Offer, respectively.
- (c) The accidental omission to despatch this Composite Document and/or the Forms of Acceptance or any of them to any person to whom the Offers are made will not invalidate either the Share Offer or the Option Offer in any way.
- (d) The Share Offer and the Option Offer and all acceptances thereof will be governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of an Independent Shareholder or Optionholder will constitute such Independent Shareholder's or Optionholder's (as the case may be) agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Share Offer or Option Offer (as the case may be).
- (e) Due execution of the WHITE Form of Acceptance will constitute an authority to the Offeror, One China Securities and/or such person or persons as any of them may direct to complete, amend and execute any document on behalf of the person or persons

accepting the Share 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 Offer Shares in respect of which such person or persons has/have accepted the Share Offer.

- (f) The settlement of the consideration to which any Independent Shareholder or Optionholder is entitled under the Share Offer and the Option Offer, respectively, will be implemented in full in accordance with the terms of the Share Offer and the Option Offer, respectively, 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 or Optionholder.
- (g) Any Independent Shareholders or Optionholders accepting the Share Offer or the Option Offer, respectively, will be responsible for payment of any transfer or cancellation or other taxes or duties payable in respect of the relevant jurisdiction due by such persons.
- (h) In making their decision, the Independent Shareholders and Optionholders must rely on their own examination of the Company, the Group and the terms of the Share Offer and the Option Offer, respectively, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Forms of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, its beneficial owners, the Company, One China Securities, Kingston Corporate Finance or their respective professional advisers. The Independent Shareholders and Optionholders should consult their own professional advisers for professional advice.
- (i) The making of the Offers to the Overseas Shareholders or Optionholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders and Optionholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder and Optionholder who wishes to accept the Share Offer and Option Offer, respectively, to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders and Optionholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas Shareholders and Optionholders in respect of the relevant jurisdictions. The Overseas Shareholders and Optionholders are recommended to seek professional advice on deciding whether or not to accept the Share Offer and Option Offer, respectively.

- (j) This Composite Document and the Forms of Acceptance have been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Share Offer and the Option Offer in Hong Kong and the operating rules of the Stock Exchange.
- (l) The English texts of this Composite Document and the Forms of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation in case of inconsistency.

10. INTERPRETATION

- (a) A reference in this Composite Document to a Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of the Offer Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Composite Document apply to them jointly and severally.
- (b) A reference in this Composite Document and the Forms of Acceptance to the Offers, the Share Offer or the Option Offer shall include any extension thereof.
- (c) A reference in this Composite Document and the Forms of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the Group for each of the three financial years ended 31 March 2013, 2014 and 2015 as extracted from the published financial statements of the Group for the relevant years.

The consolidated financial statement of the Group for each of the three years ended 31 March 2015 were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong and did not contain any qualifications. For each of the three years ended 31 March 2015, no dividend was declared or paid. The Group had no exceptional items because of size, nature or incidence for each of the three years ended 31 March 2015.

	For the year ended 31 March		
	2015	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	<u>9,763</u>	<u>24,209</u>	<u>57,161</u>
Loss before tax	(28,307)	(41,607)	(29,444)
Income tax (credit)/expense	<u>(1,400)</u>	<u>(6)</u>	<u>67</u>
Loss for the year attributable to equity holders of the Company	(29,707)	(41,613)	(29,377)
Other comprehensive income/(expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	<u>(17)</u>	<u>485</u>	<u>707</u>
Total comprehensive expense for the year	<u>(29,724)</u>	<u>(41,128)</u>	<u>(28,670)</u>
Dividend	<u>—</u>	<u>—</u>	<u>—</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Dividend per share	<u>—</u>	<u>—</u>	<u>—</u>
Loss per share attributable to ordinary equity holders of the Company			
Basic	<u>(3.87)</u>	<u>(5.50)</u>	<u>(3.88)</u>
Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

2. AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Set out below is the full text of the audited consolidated financial statements of the Company for the year ended 31 March 2015 as extracted from the annual report of the Company for the year ended 31 March 2015:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	5	9,763	24,209
Cost of sales		<u>(3,213)</u>	<u>(11,919)</u>
Gross profit		6,550	12,290
Other income and gains	5	1,806	1,956
Selling expenses		(2,989)	(11,443)
Administrative expenses		(31,414)	(40,057)
Other expenses		(2,179)	(4,187)
Finance costs	6	<u>(81)</u>	<u>(166)</u>
Loss before tax	7	(28,307)	(41,607)
Income tax expense	10	<u>(1,400)</u>	<u>(6)</u>
Loss for the year attributable to equity holders of the Company	11	(29,707)	(41,613)
Other comprehensive (expense)/income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(17)</u>	<u>485</u>
Total comprehensive expense for the year attributable to equity holders of the Company		<u><u>(29,724)</u></u>	<u><u>(41,128)</u></u>
Loss per share attributable to ordinary equity holders of the Company	12		
Basic		<u>(HK3.87 cents)</u>	<u>(HK5.50 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Details of dividend are set out in note 28(c) to the financial statements.

Consolidated Statement of Financial Position

31 March 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	13	2,351	3,373
Investment property	14	4,367	4,767
Deposits	20	141	371
Available-for-sale investments	16	832	831
Goodwill	17	—	—
Deferred tax asset	18	—	1,394
Total non-current assets		<u>7,691</u>	<u>10,736</u>
CURRENT ASSETS			
Trade receivables	19	4,974	5,197
Prepayments, deposits and other receivables	20	3,132	7,835
Pledged deposits	22	—	250
Cash and cash equivalents	22	1,778	12,570
Total current assets		<u>9,884</u>	<u>25,852</u>
CURRENT LIABILITIES			
Trade payables	23	9,713	9,952
Other payables and accruals	24	11,767	11,455
Due to Directors	21	2,000	535
Interest-bearing borrowing, secured	25	1,125	—
Tax payable		3,337	3,331
Total current liabilities		<u>27,942</u>	<u>25,273</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(18,058)</u>	<u>579</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(10,367)</u>	<u>11,315</u>
NON-CURRENT LIABILITY			
Deferred tax liability	18	500	499
NET (LIABILITIES)/ASSETS		<u>(10,867)</u>	<u>10,816</u>
(DEFICIT IN ASSETS)/EQUITY			
(Deficit in assets)/equity attributable to equity holders of the Company			
Share capital	26	79,610	75,635
Reserves	28(a)	(90,477)	(64,819)
TOTAL (DEFICIT IN ASSETS)/EQUITY		<u>(10,867)</u>	<u>10,816</u>

Consolidated Statement of Changes in Equity

Year ended 31 March 2015

	Attributable to equity holders of the Company							
	Share capital HK\$'000	Share premium account HK\$'000	Statutory reserve fund HK\$'000 (note a)	Foreign currency translation reserve HK\$'000 (note b)	Share option reserve HK\$'000	Accumulated losses HK\$'000	Reserves sub-total HK\$'000	Total equity HK\$'000
At 1 April 2014	75,635	372,468	3,349	14,804	10,041	(465,481)	(64,819)	10,816
Loss for the year	—	—	—	—	—	(29,707)	(29,707)	(29,707)
Other comprehensive expense for the year:								
Exchange differences on translation of foreign operations	—	—	—	(17)	—	—	(17)	(17)
Total comprehensive expense for the year	—	—	—	(17)	—	(29,707)	(29,724)	(29,724)
Equity-settled share option arrangements 28(b)	—	—	—	—	268	—	268	268
Transfer of share option reserve on the forfeited share options 28(b)	—	—	—	—	(7,336)	7,336	—	—
Exercise of share options 28(b)	2,475	3,841	—	—	(2,362)	—	1,479	3,954
Placement of new shares 28(b)	1,500	2,550	—	—	—	—	2,550	4,050
Expenses on issue of new shares 28(b)	—	(231)	—	—	—	—	(231)	(231)
At 31 March 2015	<u>79,610</u>	<u>378,628</u>	<u>3,349</u>	<u>14,787</u>	<u>611</u>	<u>(487,852)</u>	<u>(90,477)</u>	<u>(10,867)</u>
At 1 April 2013	75,635	372,468	3,349	14,319	7,793	(424,089)	(26,160)	49,475
Loss for the year	—	—	—	—	—	(41,613)	(41,613)	(41,613)
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	—	—	—	485	—	—	485	485
Total comprehensive income/(expense) for the year	—	—	—	485	—	(41,613)	(41,128)	(41,128)
Equity-settled share option arrangements 28(b)	—	—	—	—	2,469	—	2,469	2,469
Transfer of share option reserve on the forfeited share options 28(b)	—	—	—	—	(221)	221	—	—
At 31 March 2014	<u>75,635</u>	<u>372,468</u>	<u>3,349</u>	<u>14,804</u>	<u>10,041</u>	<u>(465,481)</u>	<u>(64,819)</u>	<u>10,816</u>

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) 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 dollars) 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 of the foreign operations.

Consolidated Statement of Cash Flows*Year ended 31 March 2015*

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(28,307)	(41,607)
Adjustments for:			
Finance costs	6	81	166
Interest income	5, 7	(134)	(503)
Investment income	5, 7	(502)	(494)
Gain on disposal of items of property, plant and equipment	5	(1,170)	(51)
Depreciation	7	1,053	1,568
Equity-settled share option arrangements	7, 28(b)	268	2,469
Fair value loss/(gain) on an investment property	5, 7, 14	408	(284)
Impairment allowances on trade receivables	7, 19	222	1,348
Impairment on other receivables	7	—	818
		(28,081)	(36,570)
Decrease in trade receivables		—	6,886
Decrease in prepayments, deposits and other receivables		4,933	1,842
Decrease in due from Directors		—	655
Decrease in trade payables		(239)	(2,682)
Increase in other payables and accruals		312	2,013
Increase in due to Directors		1,465	535
Exchange realignment		5	8
Cash used in operations		(21,605)	(27,313)
Profits taxes paid outside Hong Kong		(6)	(596)
Net cash outflow in operating activities		(21,611)	(27,909)

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Net cash outflow in operating activities		<u>(21,611)</u>	<u>(27,909)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	5, 7	134	503
Investment income received	5, 7	502	494
Purchases of items of property, plant and equipment	13	(27)	(1,068)
Proceeds from disposal of items of property, plant and equipment		1,170	90
Decrease in pledged deposits		250	12,490
Exchange realignment		<u>(13)</u>	<u>2</u>
Net cash inflow from investing activities		<u>2,016</u>	<u>12,511</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from exercise of share options		3,954	—
Proceed from issue of shares under placing		3,819	—
New interest-bearing borrowing raised		2,063	—
Repayment of secured borrowings		(938)	(11,400)
Interest paid	6	<u>(81)</u>	<u>(166)</u>
Net cash flows inflow/(outflow) from financing activities		<u>8,817</u>	<u>(11,566)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(10,778)	(26,964)
Cash and cash equivalents at beginning of year		12,570	39,050
Effect of foreign exchange rate changes, net		<u>(14)</u>	<u>484</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		<u>1,778</u>	<u>12,570</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	22	1,778	10,075
Non-pledged time deposits with original maturity of less than three months when acquired		<u>—</u>	<u>2,495</u>
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows		<u>1,778</u>	<u>12,570</u>

Statement of Financial Position

31 March 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Interests in subsidiaries	15	—	—
Amounts due from subsidiaries	15	—	15,885
Total non-current assets		—	15,885
CURRENT ASSETS			
Prepayments, deposits and other receivables	20	208	200
Cash and cash equivalents	22	5	4
Total current assets		213	204
CURRENT LIABILITIES			
Other payables and accruals	24	1,768	1,600
Total current liabilities		1,768	1,600
NET CURRENT LIABILITIES		(1,555)	(1,396)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,555)	14,489
NON-CURRENT LIABILITY			
Amounts due to subsidiaries	15	(1,838)	(1,828)
NET (LIABILITIES)/ASSETS		(3,393)	12,661
(DEFICIT IN ASSETS)/EQUITY			
Share capital	26	79,610	75,635
Reserves	28(b)	(83,003)	(62,974)
TOTAL (DEFICIT IN ASSETS)/EQUITY		(3,393)	12,661

Notes to the Financial Statements*31 March 2015***1. CORPORATE 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 802, 8th Floor, Dominion Centre, 43–59 Queen’s Road East, Wanchai, Hong Kong. The Company’s shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”).

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 15 to the financial statements.

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 (“Ints”)) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), 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 GEM of the Exchange (the “GEM Listing Rules”) and the disclosure requirements of the Hong Kong Companies Ordinance.

2.1 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 investment property which has been measured at fair value.

These consolidated financial statements are presented in Hong Kong dollars 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 Group had incurred loss for the year attributable to equity holders of the Company of approximately HK\$29,707,000 (2014: HK\$41,613,000) for the year ended 31 March 2015, and as at 31 March 2015, the Group had net current liabilities and net liabilities of approximately HK\$18,058,000 and HK\$10,867,000 respectively and had a net cash used in operations of approximately HK\$21,605,000 (2014: HK\$27,313,000) during the year ended 31 March 2015. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the date of approving the consolidated financial statements on the basis that:

- (a) the management has taken further cost control measures to tighten the costs of operations and reduce various general and administrative expenses; and
- (b) Dynamic Peak Limited (a substantial shareholder of the Company subsequent to the year ended 31 March 2015) agreed to provide financial support and working capital to the Company until the Company has sufficient funds for the continuing operations of the Group so as to meet its liabilities and

to pay financial obligations to third parties as and when they fall due to continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving the consolidated financial statements.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the Directors as described above. The consolidated financial statements of the Group have been prepared on a going concern basis and therefore do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

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 or disposed of during the year are included in the consolidated income statement 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.

2.2 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 financial statements.

HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HK(IFRIC)-Int 21	Levies

HKAS 32 (Amendments) Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

HKAS 36 (Amendments) Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

HKAS 39 (Amendments) Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments) Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

HK(IFRIC)-Int 21 Levies

The Group has applied HK(IFRIC)-Int 21 *Levies* for the first time in the current year. HK (IFRIC)-Int 21 *Levies* addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

2.3 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 pronouncements which may be relevant to the Group are set out below.

HKAS 16 and HKAS 38(Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ³
HKAS 16 and HKAS 41(Amendments)	Agriculture: Bearer Plants ³
HKAS 19 (2011) (Amendments)	Defined Benefit Plans: Employee Contributions ¹
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements ³
HKFRSs (Amendments)	Annual Improvement to HKFRSs 2010–2012 Cycle ²
HKFRSs (Amendments)	Annual Improvement to HKFRSs 2011–2013 Cycle ¹
HKFRSs (Amendments)	Annual Improvement to HKFRSs 2012–2014 Cycle ³
HKFRS 9 (As revised in 2014)	Financial Instruments ⁶
HKFRS 9 and HKFRS 7(Amendments)	Mandatory Effective Dates of HKFRS 9 and Transition Disclosures ⁶
HKFRS 10 and HKAS 28(Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interest in Joint Operations ³
HKFRS 14	Regulatory Deferral Accounts ⁴
HKFRS 15	Revenue from Contracts with Customers ⁵
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: Applying the consolidation exception ³
HKAS 1 (Amendments)	Disclosure initiative ³

¹ Effective for annual periods beginning on or after 1 July 2014.

² Effective for annual periods beginning on or after 1 July 2014 with limited exceptions.

³ Effective for annual periods beginning on or after 1 January 2016.

⁴ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

⁵ Effective for annual periods beginning on or after 1 January 2017.

⁶ Effective for annual periods beginning on or after 1 January 2018.

HKAS 16 and HKAS 38 (Amendments) Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- (a) when the intangible asset is expressed as a measure of revenue; or
- (b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

HKAS 16 and HKAS 41 (Amendments) Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

HKAS 19 (2011) (Amendments) Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

HKAS 27 (Amendments) Equity Method in Separate Financial Statements

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements

- At cost,
- In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9), or
- Using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards.

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to HKFRSs 2010–2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of “vesting condition” and “market condition”; and (ii) add definitions for “performance condition” and “service condition” which were previously included within the definition of “vesting condition”. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of HKAS 40; and
- (b) the transaction meets the definition of a business combination under HKFRS 3.

Annual Improvements to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 *Disclosure — Offsetting Financial Assets and Financial Liabilities* issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 *Interim Financial Reporting*.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for 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.

Key requirement of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* 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. All other debt investment and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entity 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented 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. However, 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 effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 10 and HKAS 28 (Amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.
- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.
- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investor's interests in that associate or joint venture. Similarly, gains and losses resulting from the measurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

HKFRS 11 (Amendments) Accounting for Acquisitions of Interest in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for acquisition of a joint operation that constitutes a business as defined in HKFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 *Impairment of Assets* regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, 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: Allocate 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 recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon initial application but is not yet in a position to state whether the above new and revised HKFRSs will have a significant impact on the Group's and the Company's results of operations and financial position.

2.4 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.

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.

Fair value measurement

The Group measures its investment properties 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.

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:

Leasehold building	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%
Furniture and fixtures	20%
Motor vehicles	30%

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

An investment property is an interest in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of the reporting period.

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.

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 investments, 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.

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 investments

Available-for-sale financial investments 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 investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation 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 investment valuation 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.

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.

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.

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.

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 investments

For available-for-sale financial investments, 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.

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 expires.

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.

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 not 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.

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.

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

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 27 to the 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.

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.

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).

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.

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.

3. 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.

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 17 to the 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 19 and 20 to the 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 14 to the 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 14 to the financial statements for the carrying value of investment property at the end of reporting period.

Valuation of share options

As described in note 27 to the financial statements, the Company engaged an independent firm of professional qualified valuers to assist in the valuation of the share options granted during the years 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 27 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2015 was approximately HK\$Nil (2014: HK\$1,394,000). Further details are contained in note 18 to the financial statements.

Current income taxes

The Group's subsidiaries that operate in the PRC are subject to 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 and the Company at 31 March 2015 was approximately HK\$3,337,000 (2014: HK\$3,331,000) and nil (2014: nil), respectively.

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:

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.

4. OPERATING SEGMENT INFORMATION

The Group has only one single operating segment as the Group is principally engaged in wireless value-added services and related business which is the basis to allocate resources and assess performance. No geographical information is presented as the Group's customers' operations and assets are located in the Mainland China.

Information about major customers

During the year ended 31 March 2015, revenue of approximately HK\$9,528,000 which represents 97.6% of the Group's total sales was derived from services rendered to one customer. During the year ended 31 March 2014, approximately HK\$13,329,000 and HK\$4,949,000 which represented 55.1% and 20.4% of the Group's total sales were derived from services rendered to two customers respectively. No other single customer contributed 10% or more to the Group's revenue for each of the years ended 31 March 2015 and 2014.

5. REVENUE, OTHER INCOME AND GAINS

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

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

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Services income	9,763	24,209
Other income and gains		
Bank interest income	134	503
Investment income	502	494
Net foreign exchange gains	—	88
Gain on disposal of items of property, plant and equipment	1,170	51
Fair value gain on an investment property (<i>note 14</i>)	—	284
Others	—	536
	1,806	1,956
	11,569	26,165

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
borrowing wholly repayable within five years	81	164
bank overdrafts	<u>—</u>	<u>2</u>
Total borrowing costs	<u><u>81</u></u>	<u><u>166</u></u>

7. LOSS BEFORE TAX

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

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of services provided*	3,213	11,919
Depreciation (<i>note 13</i>)*	1,053	1,568
Minimum lease payments under operating leases in respect of:		
Land and buildings	2,733	2,707
Auditors' remuneration	550	550
Employee benefits expense (including Directors' remuneration (<i>note 8</i>))*#:		
Wages, salaries, allowances and benefits in kind	15,770	22,759
Equity-settled share option arrangements	268	2,469
Pension scheme contributions (defined contribution schemes)	1,790	2,858
Severance payments	<u>85</u>	<u>632</u>
	<u>17,913</u>	<u>28,718</u>
Foreign exchange losses/(gains), net	29	(88)
Impairment allowances on trade receivables (<i>note 19</i>)	222	1,348
Impairment on other receivables	—	818
Gain on disposal of items of property, plant and equipment	(1,170)	(51)
Research and development costs [#]	1,770	3,368
Bank interest income	(134)	(503)
Investment income	(502)	(494)
Fair value loss/(gain) on an investment property (<i>note 14</i>)	<u>408</u>	<u>(284)</u>

* The cost of services provided includes depreciation and employee benefits expense totaling approximately HK\$2,098,000 for the year ended 31 March 2015 (2014: HK\$4,570,000), which is also included in the respective total amount separately disclosed above.

The research and development costs for the year include approximately HK\$1,770,000 (2014: HK\$3,365,000) relating to employee benefits expense for research and development activities, which is also included in the employee benefits expense separately disclosed above.

At 31 March 2015, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years (2014: nil).

8. 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 the years ended 31 March 2015 and 2014 is set out below:

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	300	300
Other emoluments:		
Salaries, allowances and benefits in kind	8,138	6,453
Equity-settled share option arrangements	184	1,190
Pension scheme contributions	<u>58</u>	<u>99</u>
	<u>8,380</u>	<u>7,742</u>
	<u><u>8,680</u></u>	<u><u>8,042</u></u>

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 27 to the 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.

(a) Independent non-executive Directors

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

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Tam Chun Wan	100	100
Ms. Tse Yuet Ling, Justine	100	100
Ms. Lai May Lun	<u>100</u>	<u>100</u>
	<u><u>300</u></u>	<u><u>300</u></u>

There were no other emoluments payable to the independent non-executive Directors during the year (2014: nil).

(b) Executive Directors and non-executive Directors

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

2015

	Fee <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Group Pension scheme contributions <i>HK\$'000</i>	Equity- settled share option arrangements <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
Executive Directors:					
Mr. Yip Heon Ping	—	4,140	18	92	4,250
Mr. Yip Heon Keung*	—	3,694	18	92	3,804
Mr. Han Jun (redesignated from a non-executive Director on 5 February 2015)	—	—	—	—	—
	—	7,834	36	184	8,054
Non-executive Directors:					
Mr. Mah Yong Sun (retired on 6 August 2014)	—	—	—	—	—
Ms. Li Luyi (redesignated from an executive Director on 5 February 2015)	—	304	22	—	326
	—	304	22	—	326
	—	8,138	58	184	8,380

* Following the resignation of Ms. Li Luyi as the chief executive officer of the Company on 5 February 2015, Mr. Yip Heon Keung, the Chairman of the Company, assumed the post of the acting chief executive officer with effect from 5 February 2015.

2014

	Group				Total remuneration HK\$'000
	Fee HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Equity- settled share option arrangements HK\$'000	
Executive Directors:					
Mr. Yip Heon Ping	—	2,523	15	581	3,119
Mr. Yip Heon Keung	—	3,192	15	581	3,788
Ms. Li Luyi	—	738	69	28	835
	—	6,453	99	1,190	7,742
Non-executive Directors:					
Mr. Chen Xiaoxin (resigned on 10 December 2013)	—	—	—	—	—
Mr. Mah Yong Sun	—	—	—	—	—
Mr. Han Jun (appointed on 10 December 2013)	—	—	—	—	—
	—	—	—	—	—
	—	6,453	99	1,190	7,742

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2014: HK\$300,000). 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.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2014: three) Directors, details of whose remuneration are set out in note 8 to the financial statements above. Details of the remuneration of the remaining three (2014: two) non-director, highest paid employees for the year were as follows:

	Group	
	2015 HK\$'000	2014 HK\$'000
Salaries, allowances and benefits in kind	2,200	3,860
Equity-settled share option arrangements	65	456
Pension scheme contributions	83	15
	2,348	4,331

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

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$500,000 to HK\$1,000,000	2	1
HK\$1,000,001 to HK\$1,500,000	1	—
HK\$3,000,001 to HK\$3,500,000	—	1
	<u>3</u>	<u>2</u>

10. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the years ended 31 March 2015 and 2014. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current — Hong Kong:		
Charge for the year	—	—
Current — Elsewhere:		
Charge for the year	6	6
Deferred (<i>note 18</i>)	<u>1,394</u>	—
Total tax charged for the year	<u>1,400</u>	<u>6</u>

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:

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before tax	<u>(28,307)</u>	<u>(41,607)</u>
Tax credit at the Hong Kong profits tax rate of 16.5% (2014: 16.5%)	(2,016)	(2,759)
Tax credit at the Mainland China statutory tax rate of 25.0% (2014: 25.0%)	(4,022)	(6,219)
Lower applicable tax rate enjoyed by the Group	72	1,801
Income not subject to tax	(309)	(1)
Expenses not deductible for tax	1,990	620
Tax losses not recognised	<u>5,685</u>	<u>6,564</u>
Total tax charged at the Group's effective rate	<u>1,400</u>	<u>6</u>

Beijing Xin Tong Le Sou Technology Co., Ltd. was approved to qualify for the “Software Enterprise Scheme” for a five-year period from 13 June 2011 to 31 December 2015 and enjoyed an exemption of PRC corporate income tax for the first two years and a 50% reduction for the following three years.

11. LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated loss for the year attributable to equity holders of the Company for the year ended 31 March 2015 includes a loss of approximately HK\$24,095,000 (2014: HK\$4,487,000) which has been dealt with in the financial statements of the Company (note 28(b)).

12. 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\$29,707,000 (2014: HK\$41,613,000), and the weighted average numbers of ordinary shares of 767,951,438 (2014: 756,355,000) in issue during the year.

No diluted loss per share are calculated as there were no dilutive potential equity shares in existence as at 31 March 2015 and 2014.

13. PROPERTY, PLANT AND EQUIPMENT**2015**

	Land and building in Mainland China HK\$'000	Leasehold improvements HK\$'000	Group Office and computer equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:					
At 1 April 2014	1,385	1,820	12,458	5,344	21,007
Additions	—	—	27	—	27
Disposals	—	(450)	(272)	(1,700)	(2,422)
Exchange realignment	—	3	18	6	27
At 31 March 2015	<u>1,385</u>	<u>1,373</u>	<u>12,231</u>	<u>3,650</u>	<u>18,639</u>
Accumulated depreciation and impairment:					
At 1 April 2014	316	1,106	11,950	4,262	17,634
Provided for the year	35	279	309	430	1,053
Disposals	—	(450)	(272)	(1,700)	(2,422)
Exchange realignment	—	2	17	4	23
At 31 March 2015	<u>351</u>	<u>937</u>	<u>12,004</u>	<u>2,996</u>	<u>16,288</u>
Carrying amount:					
At 31 March 2015	<u><u>1,034</u></u>	<u><u>436</u></u>	<u><u>227</u></u>	<u><u>654</u></u>	<u><u>2,351</u></u>

2014

	Land and building in Mainland China HK\$'000	Leasehold improvements HK\$'000	Group Office and computer equipment, furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:					
At 1 April 2013	1,385	984	13,290	6,570	22,229
Additions	—	850	218	—	1,068
Disposals	—	—	(1,055)	(1,240)	(2,295)
Exchange realignment	—	(14)	5	14	5
At 31 March 2014	<u>1,385</u>	<u>1,820</u>	<u>12,458</u>	<u>5,344</u>	<u>21,007</u>
Accumulated depreciation and impairment:					
At 1 April 2013	281	840	12,548	4,653	18,322
Provided for the year	35	271	457	805	1,568
Disposals	—	—	(1,055)	(1,201)	(2,256)
Exchange realignment	—	(5)	—	5	—
At 31 March 2014	<u>316</u>	<u>1,106</u>	<u>11,950</u>	<u>4,262</u>	<u>17,634</u>
Carrying amount:					
At 31 March 2014	<u><u>1,069</u></u>	<u><u>714</u></u>	<u><u>508</u></u>	<u><u>1,082</u></u>	<u><u>3,373</u></u>

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

14. INVESTMENT PROPERTY

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount:		
At 1 April	4,767	4,490
Fair value adjustment (notes 5 and 7)	(408)	284
Exchange realignment	<u>8</u>	<u>(7)</u>
At 31 March	<u><u>4,367</u></u>	<u><u>4,767</u></u>

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 March 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 at 31 March 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 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.

Details of the Group's investment property and information about the fair value hierarchy at 31 March 2015 are as follows:

	Fair value			
	at 31 March			
	2015	Level 1	Level 2	Level 3
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment property in Beijing	<u>4,367</u>	<u>—</u>	<u>4,367</u>	<u>—</u>
	Fair value			
	at 31 March			
	2014	Level 1	Level 2	Level 3
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Investment property in Beijing	<u>4,767</u>	<u>—</u>	<u>4,767</u>	<u>—</u>

During the years ended 31 March 2015 and 2014, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3.

As at 31 March 2015, the investment property with carrying amount of approximately HK\$4,367,000 was pledged as security for a loan granted to the Group by an independent third party (note 25).

15. INTERESTS IN SUBSIDIARIES

	Company	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	27,445	27,445
Impairment allowances	<u>(27,445)</u>	<u>(27,445)</u>
	<u>—</u>	<u>—</u>
Due from subsidiaries	—	382,290
Impairment allowances	<u>—</u>	<u>(366,405)</u>
	<u>—</u>	<u>15,885</u>
Due to subsidiaries	<u>(1,838)</u>	<u>(1,828)</u>

The movements of impairment allowances on due from subsidiaries are as follows:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
At the beginning of the year	366,405	366,405
Impairment allowances	21,362	—
Amounts written off as uncollectible	<u>(387,767)</u>	<u>—</u>
	<u>—</u>	<u>366,405</u>

The amounts due to subsidiaries are unsecured, interest-free and will not be repayable within the next twelve months from the end of the reporting period.

At 31 March 2015 and 2014, the management assessed the recoverable amounts of the interests in subsidiaries after considering profitability, cash flow position, financial position, forecast business development and future prospects of the subsidiaries. Based on this assessment, the Directors consider that the carrying amounts of interests in subsidiaries net of impairment losses recognised approximate to their recoverable amounts.

Particulars of the Company's principal subsidiaries as at 31 March 2015 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 (2015 and 2014)	Principal activities
Prosten (BVI) Limited	British Virgin Islands/Hong Kong	US\$21,025	100	Investment holding
Prosten Technology Co. Limited	Hong Kong	HK\$1,000,000	100	Investment holding
Prolink Technology Limited	Hong Kong	HK\$5	100	Investment holding
Worldly Limited	Hong Kong	HK\$10,000	100	Investment holding
Welltop Investment Limited	Hong Kong	HK\$1,000	100	Investment holding

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company (2015 and 2014)	Principal activities
Prosten Technology (Shanghai) Co., Ltd.*	PRC/Mainland China	US\$3,500,000	100	Provision of wireless mobile value-added services
Unison Networking Services (Shanghai) Co., Ltd.#	PRC/Mainland China	US\$1,800,000	100	Provision of wireless mobile value-added services
Beijing Xin Tong Le Sou Technology Co Ltd.*	PRC/Mainland China	RMB1,000,000	100	Provision of wireless mobile value-added services

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

Registered as a sino-foreign equity joint venture enterprise.

Except for Prosten (BVI) Limited, all other subsidiaries are indirectly held by the Company.

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.

16. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2015 HK\$'000	2014 HK\$'000
Club debentures, at cost	<u>832</u>	<u>831</u>

As at the end of the reporting period, club debentures were stated at cost as the Directors are of the opinion that their fair values cannot be measured reliably because the range of reasonable fair value estimates is so significant. The Group does not intend to dispose of them in the near future.

17. GOODWILL

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:		
At 31 March	188	188
Accumulated impairment losses:		
At 31 March	<u>(188)</u>	<u>(188)</u>
Carrying amounts:		
At 31 March	<u><u>—</u></u>	<u><u>—</u></u>

18. DEFERRED TAX

The movements in deferred tax asset and liability during the year are as follows:

Deferred tax asset

Deferred tax asset arising from losses available for offsetting against future taxable profits.

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April	1,394	1,396
Deferred tax credited to profit or loss during the year (<i>note 10</i>)	(1,394)	—
Exchange realignment	<u>—</u>	<u>(2)</u>
At 31 March	<u><u>—</u></u>	<u><u>1,394</u></u>

Deferred tax liability

Deferred tax liability related to withholding taxes of unremitted earnings.

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April	499	499
Exchange realignment	<u>1</u>	<u>—</u>
At 31 March	<u><u>500</u></u>	<u><u>499</u></u>

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.

19. TRADE RECEIVABLES

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables, gross	6,311	6,311
Impairment allowances	<u>(1,337)</u>	<u>(1,114)</u>
Trade receivables, net	<u>4,974</u>	<u>5,197</u>

The Group's trade receivables, which generally have credit terms of one month to three months (2014: one month to three months) pursuant to the provisions of the relevant contracts, are recognised based on services rendered 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 81% (2014: 76%) 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 2015 contributed by the five largest customers of the year was 100% (2014: 95%). Concentration of credit risk is managed by control over credit term over individual customer. Trade receivables are unsecured and non-interest-bearing.

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

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	2,364	3,433
4 to 6 months	806	922
7 to 12 months	1,198	670
Over 1 year	<u>606</u>	<u>172</u>
Trade receivables, net	<u>4,974</u>	<u>5,197</u>

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

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April	1,114	1,224
Impairment losses recognised (<i>note 7</i>)	222	1,348
Amount written off as uncollectible	—	(1,459)
Exchange realignment	<u>1</u>	<u>1</u>
At 31 March	<u>1,337</u>	<u>1,114</u>

The above allowances for impairment of trade receivables are allowances for individually impaired trade receivables with carrying amounts before allowances of approximately HK\$1,337,000 (2014: HK\$1,114,000). 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:

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not yet past due	779	1,208
Past due but not impaired:		
1 to 3 months past due	1,829	2,607
4 to 6 months past due	844	775
7 to 12 months past due	1,037	435
Past due for over 1 year	<u>485</u>	<u>172</u>
Trade receivables, net	<u><u>4,974</u></u>	<u><u>5,197</u></u>

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.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	374	636	208	200
Deposits and other receivables	<u>2,899</u>	<u>7,570</u>	<u>—</u>	<u>—</u>
	3,273	8,206	208	200
Less: Current portion	<u>(3,132)</u>	<u>(7,835)</u>	<u>(208)</u>	<u>(200)</u>
Non-current portion	<u><u>141</u></u>	<u><u>371</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

21. DUE TO DIRECTORS

Amounts due to Directors are unsecured, non-interest bearing and repayable on demand.

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	1,778	10,075	5	4
Time deposits	—	2,745	—	—
	1,778	12,820	5	4
Less: Pledged time deposits for banking facilities	—	(250)	—	—
Cash and cash equivalents	<u>1,778</u>	<u>12,570</u>	<u>5</u>	<u>4</u>

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\$1,614,000 (2014: HK\$11,159,000). 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.

At 31 March 2014, pledged deposits represent deposits pledged to banks for banking facilities granted to the Group. The pledged deposit was released during the year ended 31 March 2015.

23. TRADE PAYABLES

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

	Group	
	2015	2014
	HK\$'000	HK\$'000
Within 3 months	—	50
4 to 6 months	—	59
7 to 12 months	—	3,582
Over 1 year	9,713	6,261
	<u>9,713</u>	<u>9,952</u>

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables	3,487	3,798	—	—
Accruals	<u>8,280</u>	<u>7,657</u>	<u>1,768</u>	<u>1,600</u>
	<u>11,767</u>	<u>11,455</u>	<u>1,768</u>	<u>1,600</u>

25. INTEREST-BEARING BORROWING, SECURED

At 31 March 2015, the Group had a secured borrowing with remaining balance of approximately HK\$1,125,000 which is secured by the Group's investment property with carrying amount of approximately HK\$4,367,000 (note 14). The secured borrowing is interest bearing at 8.5% per annum and repayable within one year. The borrowing was fully settled subsequently.

26. SHARE CAPITAL

	Number of shares '000	Amounts HK\$'000
Authorised:		
Ordinary Shares:		
At 1 April 2013, 31 March 2014, 1 April 2014 and 31 March 2015 — HK\$0.10 each	<u>2,500,000</u>	<u>250,000</u>
Issued and fully paid:		
At 1 April 2013, 31 March 2014 and 1 April 2014	756,355	75,635
Exercise of share options	24,750	2,475
Placing of new shares (Note a)	<u>15,000</u>	<u>1,500</u>
At 31 March 2015	<u>796,105</u>	<u>79,610</u>

Notes:

- (a) On 23 January 2015, the Company entered into a placing agreement with a placing agent, an independent third party. On 30 January 2015, the placing was completed. Pursuant to the Placing Agreement, the Company issued a total of 15,000,000 ordinary shares with par value of HK\$0.01 each at a price of HK\$0.27 each. The issued share capital of the Company was thus increased from HK\$78,110,500 to HK\$79,610,500. The excess of the placement proceeds over the nominal value of share capital issued was credited as share premium.

27. SHARE OPTION SCHEMES

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. The Company's original share option scheme was approved by the shareholders on 7 March 2000 (the "2000 Scheme"), and was terminated and replaced by a share option scheme approved by the shareholders on 9 April 2002 (the "2002 Scheme"). The 2002 Scheme was terminated and replaced by a new share option scheme approved by the shareholders on 5 August 2011 (the "New Scheme"). The options granted under the 2000 Scheme, which were not exercised or terminated or expired previously, became expired on 21 August 2011.

A summary of the share option schemes is set out below:

(a) 2002 Scheme

The 2002 Scheme became effective for a period of 10 years commencing on 23 April 2002. Eligible participants of the 2002 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 2002 Scheme, the Directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company. The exercise period of the options granted is determinable by the Directors, and commences after 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 2002 Scheme was terminated and replaced by the New Scheme with effect from 5 August 2011. The options granted under the 2002 Scheme remain exercisable within their respective exercise periods.

(b) New 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 New Scheme in place of the 2002 Scheme.

The New Scheme became effective for a period of 10 years commencing on 10 August 2011. Eligible participants of the New 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 New 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 New 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 New 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 New 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.

The following share options were outstanding under the 2002 Scheme and the New Scheme during the year:

	2015		2014	
	Weighted average exercise price <i>HK\$ per share</i>	Number of shares issuable under the options <i>'000</i>	Weighted average exercise price <i>HK\$ per share</i>	Number of shares issuable under the options <i>'000</i>
At 1 April	0.28	59,310	0.38	31,790
Granted during the year	—	—	0.17	*28,000
Cancelled during the year	0.48	(10,000)	—	—
Exercised during the year	0.16	#(24,750)	—	—
Lapsed during the year	0.36	<u>(18,710)</u>	0.48	<u>(480)</u>
At 31 March	0.18	<u>5,850</u>	0.28	<u>59,310</u>

* Total consideration of HK\$6 was received for the share options granted on 5 December 2013 that enable the grantees to subscribe for up to 28,000,000 shares of the Company under the New Scheme.

Total exercise monies of HK\$268,000 was received for the exercise of 2,400,000 share options of the Company under the 2002 Scheme.

Total exercise monies of HK\$3,686,250 was received for the exercise of 22,350,000 share options of the Company under the New Scheme.

The exercise prices, exercise periods and number of shares issuable in respect of the share options outstanding under the 2002 Scheme and the New Scheme as at the end of the reporting period are as follows:

2015

Number of shares issuable under the options '000	Exercise price* <i>HK\$ per share</i>	Exercise period
200	0.410	3 April 2008 to 2 April 2018
200	0.417	3 June 2008 to 2 June 2018
50	0.162	27 March 2013 to 26 March 2023
<u>5,400</u>	0.165	5 December 2013 to 4 December 2023
<u><u>5,850</u></u>		

2014

Number of shares issuable under the options '000	Exercise price* <i>HK\$ per share</i>	Exercise period
300	0.100	26 March 2004 to 25 March 2014
700	0.170	10 May 2006 to 9 May 2016
9,200	0.410	3 April 2008 to 2 April 2018
2,000	0.100	24 June 2005 to 23 June 2015
1,000	0.380	29 June 2006 to 28 June 2016
5,000	0.396	1 October 2008 to 5 July 2017
200	0.417	3 June 2008 to 2 June 2018
5,560	0.660	9 February 2010 to 8 February 2020
4,550	0.270	23 November 2010 to 22 November 2020
2,800	0.162	27 March 2013 to 26 March 2023
<u>28,000</u>	0.165	5 December 2013 to 4 December 2023
<u><u>59,310</u></u>		

* 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 the year ended 31 March 2015. The fair value of share options granted for the year ended 31 March 2014 was approximately HK\$2,813,000. The total equity-settled share option expense of approximately HK\$268,000 (2014: HK\$2,469,000) was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2014.

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)	<u>0.163</u>

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 5,850,000 (2014: 59,310,000) shares in the Company under the 2002 Scheme and the New Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 5,850,000 (2014: 59,310,000) additional ordinary shares of the Company and additional share capital of HK\$585,000 (2014: HK\$5,931,000) and share premium of HK\$479,500 (2014: HK\$10,605,100).

At the date of approval of these financial statements, the Company had aggregate outstanding share options that enable the grantees to subscribe for up to 400,000 shares under the 2002 Scheme and 4,150,000 shares under the New Scheme, the underlying shares in respect of which represented approximately 0.05% and 0.52%, respectively, of the Company's shares in issue as at that date.

28. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Pursuant to the relevant PRC laws and regulations, a portion of the profits of the Group's subsidiaries which are registered in the PRC has been transferred to the statutory reserve fund which is restricted as to use.

(b) Company

	Share premium account	Share option reserve	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2013	372,468	7,793	(441,217)	(60,956)
Loss and total comprehensive expense for the year	—	—	(4,487)	(4,487)
Equity-settled share option arrangements	—	2,469	—	2,469
Transfer of share option reserve on the forfeited share options	<u>—</u>	<u>(221)</u>	<u>221</u>	<u>—</u>
At 31 March 2014 and 1 April 2014	372,468	10,041	(445,483)	(62,974)
Loss and total comprehensive expense for the year	—	—	(24,095)	(24,095)
Equity-settled share option arrangements	—	268	—	268
Transfer of share option reserve on the forfeited share options	—	(7,336)	7,336	—
Exercise of share options	3,841	(2,362)	—	1,479
Placement of new shares	2,550	—	—	2,550
Expenses on issue of new shares	<u>(231)</u>	<u>—</u>	<u>—</u>	<u>(231)</u>
At 31 March 2015	<u><u>378,628</u></u>	<u><u>611</u></u>	<u><u>(462,242)</u></u>	<u><u>(83,003)</u></u>

- (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 2015 and 2014, 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 2.4 to the 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.

(c) Dividends

The Board does not recommend the payment of any dividend for the year ended 31 March 2015 (2014: nil).

29. 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 three years (2014: 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:

	Group	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land and buildings:		
Within one year	543	3,174
In the second to fifth years, inclusive	<u>26</u>	<u>936</u>
	<u>569</u>	<u>4,110</u>

The Company has no operating lease arrangement at the end of the reporting period (2014: nil).

(b) Capital commitments

The Group and the Company has no significant capital commitment at the end of the reporting period (2014: nil).

30. RELATED PARTY TRANSACTIONS

Details of compensation of key management personnel of the Group are included in note 8 to the financial statements which do not constitute connected transactions or continuing connected transactions under the GEM Listing Rules.

31. 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

	Group		Company	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Loans and receivables:				
Financial assets included in investments in subsidiaries (<i>note 15</i>)	—	—	—	15,885
Trade receivables	4,974	5,197	—	—
Financial assets included in deposits and other receivables (<i>note 20</i>)	2,899	7,570	—	—
Pledged deposits	—	250	—	—
Cash and cash equivalents	<u>1,778</u>	<u>12,570</u>	<u>5</u>	<u>4</u>
	<u>9,651</u>	<u>25,587</u>	<u>5</u>	<u>15,889</u>
Available-for-sale investments:				
Available-for-sale investments	<u>832</u>	<u>831</u>	<u>—</u>	<u>—</u>
	<u>832</u>	<u>831</u>	<u>—</u>	<u>—</u>
	<u>10,483</u>	<u>26,418</u>	<u>5</u>	<u>15,889</u>

Financial liabilities

	Group		Company	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial liabilities at amortised cost:				
Financial liabilities included in investments				
in subsidiaries (<i>note 15</i>)	—	—	1,838	1,828
Trade payables	9,713	9,952	—	—
Financial liabilities included in other				
payables and accruals	9,361	8,988	1,768	1,600
Due to Directors	2,000	535	—	—
Interest-bearing borrowing	1,125	—	—	—
	<u>22,199</u>	<u>19,475</u>	<u>3,606</u>	<u>3,428</u>

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Company did not have any financial instruments measured at fair value as at 31 March 2015.

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. For fair value of available-for-sale investments, please refer to note 16 to the financial statements. As at 31 March 2015, 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.

	Hierarchy	Group			
		Carrying values 31 March 2015 HK\$'000	Fair values 31 March 2015 HK\$'000	Carrying values 31 March 2014 HK\$'000	Fair values 31 March 2014 HK\$'000
Financial assets included					
in deposits and other					
receivables (<i>note 20</i>),					
non-current portion	Level 2	<u>141</u>	<u>138</u>	<u>371</u>	<u>363</u>

Level 2: Fair value measurement using significant observable inputs

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).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 (2014: nil) and no transfers into or out of Level 3 (2014: nil).

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The major financial instruments of the Group included trade receivables, certain deposits and other receivables, cash and bank deposits, trade payables, certain other payables and accruals and an interest-bearing borrowing. The Group have various other financial assets and liabilities such as amounts due to Directors and/or available-for-sale investments.

The principal risk management objective of the Group and the Company 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 and the Company.

It is, and has been, throughout the year under review, the Group's and the Company'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 and the Company by closely monitoring individual exposure.

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 2015 and 2014.

(a) Credit risk

Credit risk is mainly arising from risk of default of counterparties. The Group and the Company expose 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\$58,000 (2014: HK\$118,000).

The objective of the Group and the Company is to manage the adverse effect bring about by the risk of potential default or delay in payments. It is the Group's and the Company'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 notes 15 and 19 to the financial statements. Save as those disclosed in note 19 to the 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 and the Company is, through prudent treasury policy to monitor liquidity ratios against risk limits with a contingency plan for funding, to ensure the Group and the Company 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.

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

	Group			
	Total undiscounted cash flows on demand or less than 12 months 2015 HK\$'000	Total carrying amount 2015 HK\$'000	Total undiscounted cash flows on demand or less than 12 months 2014 HK\$'000	Total carrying amount 2014 HK\$'000
Trade payables	9,713	9,713	9,952	9,952
Financial liabilities included in other payables and accruals	9,361	9,361	8,988	8,988
Due to Directors	2,000	2,000	535	535
Interest-bearing borrowing	<u>1,125</u>	<u>1,125</u>	<u>—</u>	<u>—</u>
	<u>22,199</u>	<u>22,199</u>	<u>19,475</u>	<u>19,475</u>
	Company			
	Total undiscounted cash flows on demand or less than 12 months 2015 HK\$'000	Total carrying amount 2015 HK\$'000	Total undiscounted cash flows on demand or less than 12 months 2014 HK\$'000	Total carrying amount 2014 HK\$'000
Financial liabilities included in investments in subsidiaries (note 15)	1,838	1,838	1,828	1,828
Financial liabilities included in other payables and accruals (note 24)	<u>1,768</u>	<u>1,768</u>	<u>1,600</u>	<u>1,600</u>
	<u>3,606</u>	<u>3,606</u>	<u>3,428</u>	<u>3,428</u>

(c) Interest rate risk

The Group and the Company are 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 and the Company 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.

Group

At 31 March 2015 and 2014, 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.

Company

At 31 March 2015 and 2014, the Company's exposure to interest rate risk is minimal as the Company does not have any significant interest bearing financial assets/liabilities and therefore no sensitivity analysis is presented.

(d) Foreign currency risk*Group*

The Group's trading transactions, monetary assets and liabilities are mainly denominated in RMB and Hong Kong dollars. As the foreign currency risks generated from the sales and cost of sales can be set off with each other, the impact of foreign exchange exposure to the Group was not material. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of business. The majorities of the Group's operating assets are located in Mainland China and are denominated in RMB.

Sensitivity analysis

The Group has no significant direct exposure to foreign currencies as most of the commercial transaction, assets and liabilities are denominated in a currency as a functional currency of each entry of the Company.

Company

The Company has no exposure to significant risk resulting from change in foreign currency rates.

In the opinion of the Directors, since the Company's foreign currency risk is minimal, no sensitivity analysis is presented.

34. 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 the years ended 31 March 2015 and 2014.

35. CONTINGENT LIABILITIES

The Group and the Company had no significant contingent liabilities at 31 March 2015 (2014: nil).

36. EVENT AFTER THE REPORTING PERIOD

On 1 April 2015, Dynamic Peak Limited (the “Offeror”), 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 of 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.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 22 June 2015.

3. INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2015, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding secured borrowing of approximately RMB500,000 from an independent third party.

Mortgages and charges

As at 30 April 2015, the aforementioned outstanding borrowing of approximately RMB500,000 from an independent third party was secured by a pledge over a property owned by the Group in Beijing.

Contingent liabilities

As at 30 April 2015, the Group did not have any guarantees or other material contingent liabilities.

Disclaimer

Save as the aforesaid, at the close of business on 30 April 2015, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans (secured, unsecured, guaranteed or not), any borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, any mortgages or charges, or other material contingent liabilities or guarantee.

4. MATERIAL CHANGE

The Directors hereby confirm that save as and except for the following, there has been no material change in the financial or trading position or outlook of the Group since 31 March 2015, 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:

- (i) as disclosed in the announcement of the Company dated 14 May 2015, 1,300,000 new Shares have been allotted and issued pursuant to the exercise of 1,300,000 Options granted under the Share Option Schemes at an exercise price of HK\$0.165 per Share whereby net proceeds of approximately HK\$214,500 were raised by the Company; and
- (ii) as disclosed in the annual report of Company for the year ended 31 March 2015, the Company had fully repaid its secured borrowing with remaining balance of approximately HK\$1,125,000 as at 31 March 2015 subsequent to the aforesaid financial year end date.

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 Offeror and parties acting in concert with it), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document 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 contained in this Composite Document misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company of HK\$0.10 each as at the Latest Practicable Date were as follows:

<i>Authorised Shares</i>	<i>HK\$</i>
2,500,000,000	250,000,000.00
 <i>Issued and fully paid</i>	
797,405,000	79,740,500.00

Since 31 March 2015 (being the date to which the Company's latest published audited accounts were prepared) and up to the Latest Practicable Date, 1,300,000 new Shares were issued pursuant to exercise of Options as disclosed below:

Date of exercise of Options	Exercise price (HK\$)	Number of Shares issued pursuant to the exercise of such outstanding Options
7 May 2015	0.165	1,300,000

All Shares in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. Save as disclosed above, the Company has not issued any other Share since 31 March 2015, the date to which the latest audited financial statements of the Company were made up.

3. OUTSTANDING OPTIONS

As at the Latest Practicable Date, there were a total of 4,550,000 outstanding Options entitling the Optionholders to subscribe for a total of 4,550,000 Shares. The outstanding Options are subject to certain vesting conditions, pursuant to which 1,837,500 Options have been vested and become exercisable, and the remaining 2,712,500 Options shall become exercisable subject to the vesting conditions. Nevertheless, according to the terms of the Share Option Schemes, where a general offer is made to all Shareholders and such offer becomes or is declared unconditional, the Optionholders shall, notwithstanding any other terms on which his Options were granted, be entitled to exercise the Option (to the extent not already exercised) to its full extent at any time thereafter and up to the close of such offer (or any revised offer). As such, should the current Offers become or are declared unconditional, 4,550,000 outstanding Options shall become exercisable by the Optionholders thereafter and up to the close of the Offers (or the revised Offers, if any). In respect of these 4,550,000 outstanding Options, (i) 50,000 outstanding Options have an exercise price of HK\$0.162 per Share with an Option period from 27 March 2013 to 26 March 2023; (ii) 4,100,000 outstanding Options have an exercise price of HK\$0.165 per Share with an Option period from 5 December 2013 to 4 December 2023; (iii) 200,000 outstanding Options have an exercise price of HK\$0.410 per Share with an Option period from 3 April 2008 to 2 April 2018; and (iv) 200,000 outstanding Options have an exercise price of HK\$0.417 per Share with an Option period from 3 June 2008 to 2 June 2018.

Save for the above, the Company has no other options, warrants, derivatives or other securities that carry a right to subscribe for or which are convertible into Shares.

4. DISCLOSURE OF INTEREST

Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporations

As at the Latest Practicable Date, the interest of the Directors in the shares and underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) 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 or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by

Directors of Listed Companies (the “**Model Code**”) or required to be disclosed in this Composite Document pursuant to the requirements of the Takeovers Code were as follows:

Name of Directors	Nature of interest	Number of Shares held	Approximate % of the issued share capital of the Company (%)	Number of underlying shares held under equity derivatives (Note 1)
Mr. Yip Heon Keung	Beneficial owner	5,600,000	0.70%	1,400,000 (Note 2)
Mr. Yip Heon Ping	Beneficial owner	5,600,000	0.70%	1,400,000 (Note 2)

Notes:

- (1) These represent the interests in underlying shares in respect of the Options granted by the Company under the Share Option Schemes.
- (2) These 1,400,000 Options have an exercise price of HK\$0.165 with an Option period from 5 December 2013 to 4 December 2023.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be 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 would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

5. INTEREST IN THE OFFEROR

As at the Latest Practicable Date, none of the Company nor any of the Directors had any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror, and no such person had dealt in the shares of the Offeror during the Relevant Period.

6. DEALINGS IN SECURITIES OF THE COMPANY

Dealing in securities of the Company by the Directors

During the Relevant Period and up to the Latest Practicable Date, the following Directors had dealt for value in Shares, convertible securities, warrants, Options or derivatives issued by the Company:

Name of Director	Date of dealing	Nature of dealing	Number of relevant Shares dealt	Exercise price of Options granted	(In respect of Options exercised) any option money paid or received
				(HK\$ per Share)	(HK\$)
Mr. Yip Heon Keung	20 November 2014	Exercise of Options	5,600,000	0.165	924,000
Mr. Yip Heon Ping	20 November 2014	Exercise of Options	5,600,000	0.165	924,000
Ms. Li Luyi	24 December 2014	Cancellation of Options	4,000,000	0.660	—
			2,500,000	0.270	—

Dealing in securities of the Company by associates of the Directors

During the Offer Period and up to the Latest Practicable Date, the following associates of the Directors had dealt for value in Shares, convertible securities, warrants, Options or derivatives issued by the Company:

Name of associate	Date of dealing	Nature of dealing	Number of relevant Shares dealt	Selling price per Share/ exercise price of Option (HK\$ per Share)	(In respect of Options exercised) any
					option money paid or received (HK\$)
Century Technology Holding (PTC) Limited (<i>Note 1</i>)	30 April 2015	Disposal of Shares	200,000	0.470	—
		Disposal of Shares	754,000	0.470	—
	4 May 2015	Disposal of Shares	304,000	0.470	—
Mr. Yip Seng Mun (<i>Note 2</i>)	30 April 2015	Disposal of Shares	761,000	0.470	—
		Disposal of Shares	100,000	0.475	—
	4 May 2015	Disposal of Shares	2,165,000	0.470	—
		Disposal of Shares	300,000	0.475	—
	5 May 2015	Disposal of Shares	135,000	0.475	—
	7 May 2015	Exercise of Options	400,000	0.165	66,000
	12 May 2015	Disposal of Shares	134,000	0.420	—
13 May 2015	Disposal of Shares	166,000	0.420	—	
Mr. Yip Heon Wai (<i>Note 3</i>)	7 May 2015	Exercise of Options	500,000	0.165	82,500

Notes:

1. During the relevant period as detailed above, Century Technology Holding (PTC) Limited had in aggregate disposed of 1,258,000 Shares. After the said disposal of Shares, Century Technology Holding (PTC) Limited ceased to hold any shareholding interests in the Company.
2. During the relevant period as detailed above, Mr. Yip Seng Mun had in aggregate disposed of 3,761,000 Shares and exercised 400,000 Options. After the said disposal of Shares and exercise of Options and up to the Latest Practicable Date, Mr. Yip Seng Mun was personally interested in 400,000 Shares, representing approximately 0.05% of the entire issued share capital of the Company, and 400,000 Options.
3. After the exercise of 500,000 Options as detailed above and up to the Latest Practicable Date, Mr. Yip Heon Wai was personally interested in 4,500,000 Shares, representing approximately 0.56% of the entire issued share capital of the Company, and 500,000 Options.

Save for the sale of the Sale Shares (being 294,276,619 Shares) by the Vendors to the Offeror pursuant to the S&P Agreement for a total consideration of HK\$79,454,687.13 (equivalent to HK\$0.27 per Sale Share) which was completed on 29 April 2015 and save as disclosed above, none of the Directors or their associates have dealt for value in any Shares, warrants, Options, derivatives or securities carrying conversion or subscription rights into Shares during the Relevant Period and up to the Latest Practicable Date.

7. OTHER DISCLOSURE OF INTERESTS

As at the Latest Practicable Date,

- (a) no Shares, convertible securities, warrants, Options or derivatives issued by the Company was owned or controlled by a subsidiary of the Company or 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 (but excluding exempt principal traders), and no such person had dealt in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- (b) no Shares or any convertible securities, warrants, option or derivatives issued by the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) (if any) connected with the Company, and no such person had dealt in the Share or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period;
- (c) no Shares or any convertible securities, warrants, Option or derivatives issued by the Company was owned or controlled by a person who has an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or 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, and no such person had dealt in the Shares or any convertible securities, warrants, Options or derivatives issued by the Company during the Relevant Period;

- (d) there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which existed between the Company, or 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, and any other person;
- (e) as at the Latest Practicable Date, (i) Mr. Yip Heon Keung held 5,600,000 Shares and 1,400,000 Options with an exercise price of HK\$0.165 per Share; and (ii) Mr. Yip Heon Ping held 5,600,000 Shares and 1,400,000 Options with an exercise price of HK\$0.165 per Share. Out of the 1,400,000 Options held by each of Mr. Yip Heon Keung and Mr. Yip Heon Ping, 700,000 Options held by each of them were vested and exercisable and the remaining 700,000 Options held by each of them shall become exercisable subject to the vesting conditions. Each of Mr. Yip Heon Keung and Mr. Yip Heon Ping has indicated that he intends:

in respect of the 700,000 Options held by Mr. Yip Heon Keung or the 700,000 Options held by Mr. Yip Heon Ping (as the case may be) which are not yet vested

- (i) to accept the Option Offer;

in respect of the 700,000 Options held by Mr. Yip Heon Keung or the 700,000 Options held by Mr. Yip Heon Ping (as the case may be) which are already vested

- (i) not to accept the Offers if the market price of the Shares continues to be above the Offer Price and to consider selling some or all of the new Shares upon exercise of the Options in the open market;
- (ii) to prudently consider accepting the Offers (as the case may be) if the market price of the Shares falls below the Offer Price, depending on the circumstances which have caused such a sharp Share price fall;

in respect of the 5,600,000 Shares held by Mr. Yip Heon Keung or the 5,600,000 Shares held by Mr. Yip Heon Ping (as the case may be)

- (i) not to accept the Share Offer if the market price of the Shares continues to be above the Offer Price and to consider selling some or all of his Shares in the open market;
- (ii) to prudently consider accepting the Share Offer if the market price of the Shares falls below the Offer Price, depending on the circumstances which have caused such a sharp Share price fall;
- (f) no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Offers;
- (g) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers;

- (h) save for the S&P Agreement, no material contracts have been entered into by the Offeror in which any Director has a material personal interest; and
- (i) none of the Company or the Directors had borrowed or lent any Shares, convertible securities, warrants, options or derivatives in respect of any Shares during the Relevant Period.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

9. MATERIAL CONTRACT

As at the Latest Practicable Date, the following contract (not being contracts entered into in the ordinary course of business) was entered into by members of the Group within the two years immediately preceding the commencement of the Offer Period and up to the Latest Practicable Date and is, or may be, material:

- (a) the placing agreement dated 23 January 2015 entered into between the Company as the issuer and Lamtex Securities Limited as the placing agent, pursuant to which the Company has agreed to appoint the placing agent and the placing agent has agreed to procure, on a best effort basis, not fewer than six placees to subscribe for up to an aggregate of 15,000,000 new Shares in cash at a price of HK\$ 0.27 per placing Share. The placing was completed on 30 January 2015.

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts contained in this Composite Document:

Name	Qualification
Proton Capital Limited	a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

Proton Capital Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and/or report and/or the reference to its name in the form and context in which they appear herein.

As at the Latest Practicable Date, Proton Capital Limited did not have any shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Proton Capital Limited did not have any direct or indirect interest in any assets which have been, since 31 March 2015 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

11. DIRECTORS' SERVICE CONTRACTS

Mr. Yip Heon Keung, an executive Director, entered into a Director's service contract with the Company for a term of one year commencing from 1 April 2003 (the "**2003 Service Contract**") which was renewed automatically each year for successive terms of one year each subject to termination by either party giving not less than three months' notice in writing to the other party. Pursuant to the supplemental agreement entered into between Mr. Yip Heon Keung and the Company on 1 April 2013, the terms of the 2003 Service Contract was extended for a fixed term of three years from 1 April 2013 to 31 March 2016, subject to retirement by rotation and re-election in accordance with the articles of association of the Company. Save as amended by the supplemental agreement, all other provisions of the 2003 Service Contract remain in full force and effect. The annual remuneration of Mr. Yip Heon Keung under his service contract is HK\$2,000,000. Mr. Yip Heon Keung shall be entitled, in respect of each financial year of the Company, to a performance bonus in such sum as the Board may in its absolute discretion determine provided that the amount of performance bonus payable to Mr. Yip Heon Keung in respect of any financial year of the Company shall not exceed 10 per cent of the audited consolidated or combined net profit of the Company (after taxation and minority interests and payment of such bonus) in respect of such financial year. No such performance bonus was paid to Mr. Yip Heon Keung under his service contract for the year ended 31 March 2015. Save for the above, there is no other variable remuneration payable under the service contract of Mr. Yip Heon Keung with the Company.

Mr. Yip Heon Ping, an executive Director, entered into a Director's service contract with the Company for a term of three years commencing from 6 August 2009 and expiring on 5 August 2012 (the "**2009 Service Contract**"), subject to termination by either party giving not less than three months' notice in writing to the other party. Pursuant to the supplemental agreement entered into between Mr. Yip Heon Ping and the Company on 6 August 2012, the terms of the 2009 Service Contract was extended for a fixed term of three years from 6 August 2012 to 5 August 2015, subject to retirement by rotation and re-election in accordance with the articles of association of the Company. Save as amended by the supplemental agreement, all other provisions of the 2009 Service Contract remain in full force and effect. The annual remuneration of Mr. Yip Heon Ping under his service contract is HK\$2,000,000. Mr. Yip Heon Ping shall be entitled, in respect of each financial year of the Company, to a performance bonus in such sum as the Board may in its absolute discretion determine provided that the amount of performance bonus payable to Mr. Yip Heon Ping in respect of any financial year of the Company shall not exceed 10 per cent of the audited consolidated or combined net profit of the Company (after taxation and minority interests and payment of such bonus) in respect of such financial year. No such performance bonus was paid

to Mr. Yip Heon Ping under his service contract for the year ended 31 March 2015. Save for the above, there is no other variable remuneration payable under the service contract of Mr. Yip Heon Ping with the Company.

The term of appointment of each of the independent non-executive Directors under his respective letter of appointment made with the Company has been renewed for a term of one year commencing from the date set out below and is subject to retirement by rotation and re-election in accordance with the articles of association of the Company:

Name	Commencement date of renewed term	Annual remuneration <i>(HK\$)</i> <i>(Note)</i>
Mr. Tam Chun Wan	20 August 2014	100,000
Ms. Tse Yuet Ling, Justine	1 January 2015	100,000
Ms. Lai May Lun	1 March 2015	100,000

Note: No variable remuneration is payable to Mr. Tam Chun Wan, Ms. Tse Yuet Ling, Justine and Ms. Lai May Lun under their letters of appointment with the Company.

Save as disclosed above, as at the Latest Practicable Date, there were no service contracts with the Group and the Company's associated companies in force for the Directors (i) which (including both continuous and fixed terms contracts) have been entered into or amended within 6 months before the date of the commencement of the Offer Period, being 29 April 2015; (ii) which are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the Company (www.prosten.com); (ii) on the website of the SFC (www.sfc.hk); and (iii) at the principal place of business of the Company at Unit 802, 8th Floor, Dominion Centre, 43-59 Queen's Road East, Wanchai, Hong Kong from 25 June 2015, being the date of this Composite Document up to and including the First Closing Date or the date on which the Offers extended or revised (whichever is earlier) during normal business hours between 9:00 a.m. and 5:00 p.m. from Monday to Friday:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the year ended 31 March 2014 and the year ended 31 March 2015;

- (c) the letter from the Board, the text of which is set out on pages 23 to 33 of this Composite Document;
- (d) the letter from the Independent Board Committee to the Independent Shareholders and the Optionholders, the text of which is set out on pages 34 to 35 of this Composite Document;
- (e) the letter from the Independent Financial Adviser to the Independent Board Committee, the text of which is set out on pages 36 to 55 of this Composite Document;
- (f) the written consent referred to under the paragraph headed “Experts and consents” in this Appendix III;
- (g) the Letters of Undertaking;
- (h) the service contracts with the executive Directors and the letters of appointment with the independent non-executive Directors referred to under the paragraph headed “Directors’ service contracts” in this Appendix III;
- (i) the material contract referred to in the paragraph headed “Material contract” in this Appendix III; and
- (j) the S&P Agreement.

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, the Group and the Offers.

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 parties acting in concert with any of them), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinion expressed in this Composite Document (other than the opinion expressed by the Group, the Directors, the Vendors, the directors of the Vendors (where applicable) and parties acting in concert with any of 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 such statements contained in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS OF THE OFFEROR

As at the Latest Practicable Date, the Offeror is wholly and beneficially owned by Mr. Chen Weixi and Mr. Xu Zhigang as to 80% and 20% respectively. Mr. Chen Weixi and Mr. Xu Zhigang are the directors of the Offeror.

As at the Latest Practicable Date, details of interests in the Shares, underlying Shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company held or controlled by the Offeror and parties acting in concert with it were as follows:

Name of Offeror/ parties acting in concert with it	Capacity	Number of Shares held/ interested	Approximate % of interest as at the Latest Practicable Date
The Offeror	Beneficial owner	294,276,619	36.90
Chen Weixi	Interest of controlled corporation (Note)	294,276,619	36.90

Note: The Offeror is owned as to 80% by Mr. Chen Weixi. By virtue of the SFO, Mr. Chen Weixi is deemed to be interested in the same parcel of Shares held by the Offeror.

The Offeror intends to finance the consideration payable by the Offers by the Facility and its own resources. Under the terms of the Facility, the Offer Shares to be acquired through the Offers shall be charged to One China Securities for the Facility. The Offeror does not intend that the

payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of the Company. Save for the above, there was no agreement, arrangement or understanding that any securities of the Company acquired in pursuance of the Offers would be transferred, charged or pledged to any other persons.

3. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

- (a) During the Relevant Period, save for the acquisition of the Sale Shares by the Offeror under the S&P Agreement, none of the Offeror and parties acting in concert with it had dealt in any Shares, convertible securities, warrants, options or derivatives of the Company;
- (b) save for the purchase of 294,276,619 Shares (representing approximately 36.96% of the issued share capital of the Company immediately after the S&P Completion and approximately 36.90% of the issued share capital of the Company as at the Latest Practicable Date) pursuant to the S&P Agreement, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them owns or has control or direction over any rights or voting rights over the Shares, convertible securities, options, warrants or derivatives of the Company;
- (c) As at the Latest Practicable Date, there is no outstanding derivative in respect of the Shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which has been entered into by the Offeror, its ultimate beneficial owners and/or any person acting in concert with any of them;
- (d) As at the Latest Practicable Date, save and except the Non-acceptance Shares under the Letters of Undertaking, the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them had not received any irrevocable commitment to accept or reject the Offers;
- (e) As at the Latest Practicable Date, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them had borrowed or lent any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (f) As at the Latest Practicable Date, there was 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 person acting in concert with it or its associates and any other person; and
- (g) As at the Latest Practicable Date, there was no agreement in relation to the shares and other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror or the Company and which might be material to the Offers.

4. GENERAL

- (a) As at the Latest Practicable Date, there was no arrangement whereby benefit (other than statutory compensation) was or will be given to any Directors as compensation for loss of office or otherwise in connection with the Offers;
- (b) As at the Latest Practicable Date, save for the arrangement of resignation and re-designation of existing Directors as set out under the subsection headed “Proposed change of Board composition” in the “Letter from One China Securities” set out in this Composite Document, there was no agreement, arrangement, or understanding (including any compensation arrangement) between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offers; and
- (c) As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not or seek to invoke a pre-condition or a condition to the Offers.

5. MARKET PRICES

The table below shows the closing price of the Shares as quoted on the Stock Exchange 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 <i>HK\$</i>
31 October 2014	0.27
28 November 2014	0.29
31 December 2014	0.29
30 January 2015	0.245
27 February 2015	0.245
30 March 2015 (the Last Trading Day)	0.40
31 March 2015	Suspended
30 April 2015	0.45
29 May 2015	0.66
23 June 2015 (the Latest Practicable Date)	1.06

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$1.14 on 22 June 2015 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.235 on 3 February 2015.

6. EXPERTS AND CONSENTS

The followings are the names and qualifications of the professional advisers whose letters, opinions or advice are contained or referred to in this Composite Document:

Name	Qualification
One China Securities	A licensed corporation to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO
Kingston Corporate Finance	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Each of One China Securities and Kingston Corporate Finance has given and has not withdrawn its written consent to the issue of this Composite Document with copy of its letter and the references to its name included herein in the form and context in which it appear.

7. MISCELLANEOUS

As at the Latest Practicable Date:

- (a) the principal members of the Offeror's concert group are the Offeror, Mr. Chen Weixi and Mr. Xu Zhigang;
- (b) the registered office of the Offeror is Unit 8, 3/F., Qwomar Trading Complex, Blackburne Road, Port Purcell, Road Town, Tortola, British Virgin Islands;
- (c) the correspondence address of Mr. Chen Weixi is Room A, 34/F., Cumine Court, 52 King's Road, North Point, Hong Kong;
- (d) the correspondence address of Mr. Xu Zhigang is Room A, 34/F., Cumine Court, 52 King's Road, North Point, Hong Kong;
- (e) the registered office of One China Securities is 2/F, Cheong K. Building, 84-86 Des Vouex Road Central, Hong Kong;
- (f) the registered office of Kingston Corporate Finance is Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong; and
- (g) the English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text, in case of any inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the website of the Securities and Futures Commission at <http://www.sfc.com.hk> and the Company's website at <http://www.prosten.com.cn/> during the period from the date of this Composite Document for as long as the Offers remain open for acceptance:

- (a) the memorandum of association and articles of association of the Offeror;
- (b) the letter from One China Securities, the text of which is set out in the section headed "Letter from One China Securities" in this Composite Document;
- (c) the letters of consent referred to under the paragraph headed "Experts and consents" in this appendix;
- (d) the Letters of Undertaking;
- (e) the S&P Agreement;
- (f) the facility agreement dated 31 March 2015 (as supplemented by a supplemental agreement dated 8 April 2015) entered into between One China Securities and the Offeror in respect of the Facility;
- (g) the terms and conditions of margin trading agreement dated 12 March 2015 entered into between One China Securities and the Offeror; and
- (h) each of the personal guarantees dated 31 March 2015 signed by Mr. Chen Weixi and Mr. Xu Zhigang in favour of One China Securities as guarantors for the Facility.