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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Prosten Technology Holdings Limited.

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

**If you have sold or transferred** all your Shares in Prosten Technology Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for onward transmission to the purchaser or transferee.

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## 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)**

### (I) PROPOSED ISSUE OF CONVERTIBLE NOTE UNDER SPECIFIC MANDATE; AND (II) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Financial Adviser to the Company**



**Shinco Capital Limited**

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A notice convening the extraordinary general meeting (“EGM”) of the Company to be held at 20th Floor, The Chinese Bank Building, 61-65 Des Voeux Road Central, Central, Hong Kong on Tuesday, 18 October 2016 at 11:00 a.m. is set out on pages 27 to 29 of this circular. A form of proxy for use at the EGM is also enclosed.

Whether or not you propose to attend the meeting, you are advised to complete the form of proxy attached to the notice of the extraordinary general meeting in accordance with the instructions printed thereon and return the same to the Company’s Hong Kong branch share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

30 September 2016

\* For identification purpose only

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## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

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**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 and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## DEFINITIONS

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*In this circular, the following terms and expressions shall have the following meanings unless the context requires otherwise:*

|                       |  |
|-----------------------|--|
| “Acquisition”         | the acquisition of the sale shares and sale loan of Sino Yao Shang pursuant to the acquisition agreement entered into between the Company, the vendor and the guarantor on 31 May 2016 which was completed on 30 August 2016   |
| “Board”               | the board of Directors from time to time   |
| “Business day(s)”     | a day, other than a Saturday, Sunday, public holiday and a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours |
| “BVI”                 | British Virgin Islands   |
| “Company”             | Prosten Technology Holdings Limited, a limited company incorporated in the Cayman Islands and whose Shares are listed on GEM   |
| “Conversion Price”    | HK\$0.31, being the initial price for conversion of the Convertible Note, which is subject to adjustment pursuant to the terms and conditions of the Convertible Note  |
| “Conversion Share(s)” | the Share(s) to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Note  |
| “Convertible Note”    | the convertible note in the principal amount of HK\$35 million to be issued by the Company to the Subscriber pursuant to the Subscription Agreement  |
| “Director(s)”         | the director(s) of the Company from time to time   |
| “EGM”                 | the extraordinary general meeting of the Company to be convened for the purpose of approving the Subscription Agreement and the transactions contemplated thereunder including the allotment and issue of the Conversion Shares upon conversion of the Convertible Note  |

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## DEFINITIONS

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|                                |  |
|--------------------------------|--|
| “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 from time to time   |
| “Hong Kong”                    | the Hong Kong Special Administrative Region of PRC   |
| “Independent Third Party(ies)” | parties which are not connected persons of the Company (as defined in the GEM Listing Rules) and are independent of and not connected with the Company and its connected persons |
| “Latest Practicable Date”      | 27 September 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein                                |
| “Maturity Date”                | the date falling on the first anniversary from the date of issue of the Convertible Note   |
| “Noteholder(s)”                | the person(s) who for the time being is a holder of the Convertible Note   |
| “PRC”                          | the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan                        |
| “SFO”                          | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |
| “Share(s)”                     | means ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company  |
| “Shareholder(s)”               | holders of the issued Shares from time to time   |
| “Sino Yao Shang”               | Sino Yao Shang Technology Limited, a company incorporated in the BVI with limited liability  |
| “Stock Exchange”               | The Stock Exchange of Hong Kong Limited  |
| “Subscriber”                   | Dragon Fortune Group Holdings Limited, a company incorporated in the BVI, an Independent Third Party   |

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## DEFINITIONS

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|                              |  |
|------------------------------|--|
| “Subscription”               | the proposed issue and subscription of the Convertible Note pursuant to the Subscription Agreement   |
| “Subscription Agreement”     | the subscription agreement entered into between the Company and the Subscriber on 31 May 2016 in respect of the Subscription (as supplemented by 2 supplemental agreements dated 29 July 2016 and 14 September 2016) |
| “Substantial Shareholder(s)” | has the meanings ascribed under the GEM Listing Rules  |
| “Takeovers Code”             | the Hong Kong Code on Takeovers and Mergers  |
| “HK\$”                       | Hong Kong dollars, the lawful currency of Hong Kong  |
| “RMB”                        | Renminbi, the lawful currency of the PRC   |
| “%”                          | per cent   |

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## LETTER FROM THE BOARD

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### 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. Xu Zhigang (*Chairman*)

Mr. Han Jun

Mr. Shi Liangsheng

*Non-executive Directors:*

Mr. Chen Weixi

Mr. Yip Heon Keung

Mr. Song Xuxi

*Independent Non-executive Directors:*

Mr. Poon Yan Wai

Mr. Xu Xiaoping

Mr. Lam Kwok Cheong

*Registered office:*

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal place of business:*

Unit 905

Star House

3 Salisbury Road

Tsim Sha Tsui

Kowloon

Hong Kong

30 September 2016

*To the Shareholders:*

Dear Sir or Madam,

### PROPOSED ISSUE OF CONVERTIBLE NOTE UNDER SPECIFIC MANDATE

#### INTRODUCTION

Reference is made to the announcements of the Company dated 31 May 2016, 29 July 2016 and 14 September 2016 in relation to, among others, the Subscription Agreement.

The purpose of this circular is to provide you with, among other things, information in respect of the resolution to be proposed at the EGM on the Subscription.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### I. THE SUBSCRIPTION AGREEMENT

#### **Date**

31 May 2016

#### **Parties**

Issuer: the Company

Subscriber: the Subscriber

The Subscriber is a company incorporated in the BVI with limited liability whose principal business is investment holding.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner are Independent Third Parties.

#### **Subject matter**

Pursuant to the Subscription Agreement, the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Note in the principal amount of HK\$35 million.

#### **Conditions precedent**

The completion of the Subscription is subject to the satisfaction of the following conditions, among others:

- a. the granting of the approval by the Stock Exchange the listing of, and the permission to deal in, the Conversion Shares and such approval not having been revoked;
- b. the grant of approval by the Shareholders on the Subscription Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Conversion Shares) at the EGM;
- c. the Subscriber shall have satisfied with the results of its due diligence investigations, in its sole discretion acting reasonably, on the Company and its subsidiaries; and
- d. the warranties provided by the Company remaining true and accurate in all material respects and not misleading in any material respect as of the date of completion of the Subscription by reference to the facts and circumstances subsisting at the date of completion.



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## LETTER FROM THE BOARD

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The Subscriber may at any time waive condition (d) above.

The long stop date agreed in the Subscription Agreement was 31 July 2016. As additional time is required for fulfillment of the conditions precedent under the Subscription Agreement, the Company and the Subscriber entered into supplemental agreements on 29 July 2016 and 14 September 2016 to extend the long stop date of the Subscription Agreement to 15 September 2016 and 31 October 2016 respectively. Therefore, if the conditions precedent have not been fulfilled (or waived by the Subscriber in whole or in part) on or before 31 October 2016 (or such other date as may be agreed between the Company and the Subscriber in writing), the Subscription Agreement will lapse and become null and void and the parties will be released from all obligations thereunder, save for liabilities for any antecedent breaches hereof.

As at the Latest Practicable Date, none of the conditions has been fulfilled.

### **Completion**

The completion of the Subscription shall take place on or before the seventh Business Day after the date on which all the conditions precedent have been fulfilled (or, where applicable, waived) or such other date as may be agreed by the Company and the Subscriber.

### **PRINCIPAL TERMS AND CONDITIONS OF CONVERTIBLE NOTE**

The terms and conditions of the Convertible Note have been negotiated on an arm's length basis and the principal terms and conditions of which are summarized below:

|                   |   |
|-------------------|---|
| Issuer:           | The Company   |
| Principal amount: | HK\$35,000,000  |
| Issue Price:      | 100% of the principal amount of the Convertible Note  |
| Maturity Date:    | The first anniversary of the date of issue of the Convertible Note  |
| Interest:         | The Convertible Note will bear interest from the date of issue at a rate equal to six (6) per cent per annum on the outstanding principal amount and will be payable on the Maturity Date |
| Conversion Price: | The initial Conversion Price is HK\$0.31 per Share, subject to adjustments  |

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## LETTER FROM THE BOARD

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The Conversion Price will from time to time be adjusted upon the occurrence of certain events, including the following:

- (i) consolidation, sub-division or re-classification of the Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution to the Shareholders;
- (iv) offer to the Shareholders new Shares for subscription by way of rights, or grant to the Shareholders any options, warrants or other rights to subscribe for any new Shares at a price which is less than 80% of the market price as at the date of the announcement of the terms of the offer or grant;
- (v) issue wholly for cash any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares, and the total effective consideration per Share initially receivable for such securities is less than 80% of the market price as at the date of the announcement of the terms of issue of such securities;
- (vi) when the rights of conversion or exchange or subscription attached to any such securities as are mentioned in (v) above are modified so that the total effective consideration per Share initially receivable for such securities will be less than 80% of the market price as at the date of the announcement of such proposal; and
- (vii) when the Company issue wholly for cash any Shares at a price per Share which is less than 80% of the market price as at the date of the announcement of the terms of such issue.

*Note:* The total effective consideration shall be deemed to be the consideration receivable by the Company for any such securities plus the additional minimum consideration (if any) to be received by the Company upon (and assuming) the conversion or exchange thereof or the exercise of such subscription rights.

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## LETTER FROM THE BOARD

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If the Company or any subsidiary of the Company shall in any way modify the rights attached to any share or loan capital so as wholly or partly to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire, the Shares, the Company shall appoint an approved merchant bank or the auditors of the Company (at the option of the Company) to consider whether any adjustment to the Conversion Price is appropriate.

Every adjustment to the Conversion Price shall be certified (at the option of the Company) either by the auditors of the Company for the time being or by a reputed merchant bank in Hong Kong (at the option of the Company).

### **RANKING AND STATUS**

The obligations of the Company arising under the Convertible Note constitute direct, unconditional, unsecured and unsubordinated obligations of the Company and rank *pari passu* and ratably without preference (with the exception of obligations in respect of taxes and certain other statutory exceptions) equally with all other present and future unsecured and unsubordinated obligations of the Issuer.

No application will be made for a listing of the Convertible Note on the Stock Exchange or any stock or securities exchange.

### **Voting**

The Noteholder will not be entitled to attend or vote at any meetings of the Company by reason only of it being a Noteholder.

### **Transferability**

The Convertible Note may, upon obtaining the prior written approval of the Company, be assigned and transferred (whether in whole or in part(s) before the Maturity Date) provided that no assignment or transfer shall be made to a connected person (within the meaning ascribed thereto in the GEM Listing Rules) of the Company without the prior approval of the Company and provided further that the principal amount to be assigned or transferred is at least HK\$1,000,000 and in integral multiples of HK\$1,000,000 unless the amount of the outstanding Convertible Note is less than HK\$1,000,000 in which case the whole (but not part only) of that amount may be assigned and transferred.

### **Conversion Rights**

The Noteholder will have the right, on any Business Day during the period commencing from the issue date of the Convertible Note and ending 4:00 p.m. on the date falling five (5) Business Days prior to the Maturity Date, to convert the whole or part of such principal amount of the Convertible Note set out therein into the Conversion Shares at the Conversion Price (subject to adjustments).

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## LETTER FROM THE BOARD

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The conversion rights shall not be allowed to exercise by the Noteholder if, (i) immediately following the conversion, the Company will be unable to meet the public float requirement under Rule 11.23 of the GEM Listing Rules; or (ii) if such conversion will trigger the obligation by the Noteholder or party acting in concert (as defined in the Takeovers Code) to make a general offer of the Shares under the Takeovers Code.

### **Redemption**

Unless previously redeemed, converted or purchased and cancelled, the Convertible Note is to be redeemed on maturity at 100% of the principal amount outstanding under the Convertible Note together with all accrued and unpaid interest thereon on the Maturity Date.

At the option of the Company, the Convertible Note may be redeemed in amounts of HK\$1,000,000 or integral multiples thereof on any Business Day prior to the Maturity Date at 100% of the principal amount outstanding under the Convertible Note together with all interest accrued thereon up to and including the date of redemption. The Convertible Note redeemed by the Company will be forthwith cancelled and may not thereafter be reissued or resold.

### **THE CONVERSION PRICE**

The initial Conversion Price of HK\$0.31 per Conversion Share, which has been determined after arm's length negotiations between the Company and the Subscriber with reference to the following factors:

- the then prevailing market price of the Shares at the time of negotiation of the terms of the Subscription Agreement in late May 2016;
- the financial position and the financial performance of the Group: (a) the Group recorded deficit in assets as at 31 March 2015 and the net asset value per Share was only approximately HK\$0.041, representing a discount of 86.77% to the initial Conversion Price, as at 30 September 2015 (based on the net asset value of the Group of HK\$38,761,000 and the number of issued Shares of 935,512,500 as at 30 September 2015); and (b) the Group had been loss-making for the last three consecutive financial years ended 31 March 2015 and for the 9 months ended 31 December 2015, therefore the discount of the Conversion Price to the then prevailing market price would provide more incentive for the Subscriber; and
- the placing price of HK\$0.31 per Share for the placing of new Shares completed on 10 March 2016 (the “**2016 Placing**”), which is only approximately two months prior to the date of the Subscription Agreement, served as a price reference for the Subscriber in negotiating the initial Conversion Price.

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## LETTER FROM THE BOARD

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The initial Conversion Price represents:

- (i) a discount of about 18.42% to the closing price of HK\$0.38 per Share as quoted on the Stock Exchange on 30 May 2016 (the “**Last Trading Day**”);
- (ii) a discount of about 19.48% to the average closing price of HK\$0.385 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of about 20.31% to the average closing price of HK\$0.389 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of about 4.62% to the closing price of HK\$0.325 as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 377% to the audited net asset value per Share of approximately HK\$0.065 as at 31 March 2016.

The Directors considered that it is not uncommon for a company to provide discount to the market price as an incentive to potential investors in return for fund to meet the funding need of a company when determining the conversion price of convertible securities, especially when the company is not in good financial position and does not have strong financial performance. Further to the factors considered in determining the Conversion Price above, as (i) the extent of discount to the Conversion Price was within the maximum limit generally applied for other listed companies’ fund raising activities utilizing pre-approved general mandates (i.e. 20%); and (ii) the terms of the Subscription will be put forward for the Shareholders’ approval at the EGM, the Board therefore considered that the Conversion Price, including the discount was in the interest of the Shareholders as a whole.

### THE CONVERSION SHARES

As at the Latest Practicable Date, the Company has 1,095,360,500 Shares in issue. Assuming the conversion rights attaching to the Convertible Note are exercised in full at the initial Conversion Price of HK\$0.31 per Conversion Share, a total of 112,903,225 Conversion Shares will be issued by the Company.

The 112,903,225 Conversion Shares represent (i) approximately 10.31% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 9.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The Conversion Shares shall rank *pari passu* with all other Shares in issue as at the date of conversion and be entitled to all dividends, bonus and other distributions, the record date of which falls on a date on or after the date of conversion.

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## LETTER FROM THE BOARD

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The Conversion Shares falling to be allotted and issued upon exercise of the conversion rights attached to the Convertible Note will be issued under a specific mandate to be sought from the Shareholders at the EGM.

### CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Note in full respectively, and assuming that there is no other change to the share capital and shareholding structure of the Company from the Latest Practicable Date save for the allotment and issue of the Conversion Shares.

|   | As at the<br>Latest Practicable Date |                  | Immediately after<br>the allotment and issue<br>of the Conversion Shares<br>upon the exercise of the<br>conversion rights attaching<br>to the Convertible Note in full |                  |
|---|--------------------------------------|------------------|--|------------------|
|   | Number of<br>Shares                  | Approximate<br>% | Number of<br>Shares  | Approximate<br>% |
| Dynamic Peak Limited<br>(Note 1)                | 294,276,619                          | 26.87            | 294,276,619  | 24.36            |
| Right Advance<br>Management<br>Limited (Note 2) | 111,000,000                          | 10.13            | 111,000,000  | 9.19             |
| Yip Heon Keung (Note 3)                         | 6,300,000                            | 0.58             | 6,300,000  | 0.52             |
| Song Xuxi (Note 3)                              | 1,000,000                            | 0.09             | 1,000,000  | 0.08             |
| China Force Enterprises Inc.<br>(Note 4)        | 37,179,450                           | 3.39             | 37,179,450   | 3.08             |
| The Subscriber                                  | —                                    | —                | 112,903,225  | 9.34             |
| Other public<br>Shareholders                    | 645,604,431                          | 58.94            | 645,604,431  | 53.43            |
| <b>Total</b>                                    | <b>1,095,360,500</b>                 | <b>100.00</b>    | <b>1,208,263,725</b>   | <b>100.00</b>    |

*Notes:*

- Dynamic Peak Limited (“**Dynamic Peak**”) is a company incorporated in the BVI and its entire issued share capital is held as to 80% by Mr. Chen Weixi, the non-executive Director and as to the remaining 20% by Mr. Xu Zhigang, the executive Director and chairman of the Company. By virtue of the SFO, Mr. Chen Weixi is deemed to be interested in 294,276,619 Shares of the Company held by Dynamic Peak.

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## LETTER FROM THE BOARD

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2. Right Advance Management Limited (“**Right Advance**”) is a company incorporated in the BVI 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.
3. Mr. Yip Heon Keung and Mr. Song Xuxi are non-executive Directors.
4. China Force Enterprises Inc. is a company incorporated in the BVI and its entire issued share capital is ultimately owned by Ms. Shen Jing.

### INFORMATION ON THE SUBSCRIBER

The Subscriber is wholly owned by Glory Gate International Limited, a company incorporated in the BVI with limited liability and wholly owned by Ms. Shen Jing. Both the Subscriber and Glory Gate International Limited are engaged in investment holding. Ms. Shen Jing is the spouse of Mr. Wen Jialong (“**Mr. Wen**”). Mr. Wen was involved in a previous corporate transaction of the Company in 2015 under which Mr. Wen (together with other Independent Third Parties) was one of the vendors to the Group’s acquisition of Mastery Jewellery Co., Limited (至尊珠寶有限公司), a company incorporated in Hong Kong, which engaged in the design, research and development and wholesale of jewellery. Save as disclosed above and to the best of knowledge, information and belief of the Directors and after having made all reasonable enquiries, the Subscriber, its ultimate beneficial owner and associates are not related to any vendors of the Company’s corporate transactions (including the Acquisition).

Mr. Wen, aged 47, has over 17 years of experience in the production of wires and cables, jacks and connectors used in electronic, automobile and computer products and about 4 years of experience in running small commodity trading centre for a variety of products including household appliances, fashion accessories, gifts and watches and jewellery in Shenzhen, PRC. Mr. Wen is a deputy to the 12th Guangdong Provincial People’s Congress (廣東省第十二屆人民代表大會代表). He is also a member of the 4th term committee of the Shenzhen Baoan District Committee of the Chinese People’s Political Consultative Conference (中國人民政治協商會議深圳市寶安區第四屆委員會委員), the president of Guangdong Small Commodity Association (廣東省小商品協會會長) and Shenzhen Small Commodity Association (深圳市小商品協會會長). He is also the president (Starlight) of Elderly Association, Shenzhen (深圳市老年協會星光會長).

### REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Company is an investment holding company. The Group is principally engaged in the provision of wireless value-added services. Apart from its core business, the Group has recently expanded its businesses into the trading and retailing of jewelry, lending business and pharmaceutical and healthcare products industries.



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## LETTER FROM THE BOARD

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The management of the Group has been reviewing its existing businesses from time to time and strived to improve the business performance and financial position of the Group. Prior to entering into the Subscription Agreement, the Company has identified the business opportunity of the Acquisition. In light of the funding needs for developing the existing businesses and fulfilling the working capital needs of the Group as stated in the section heading “INTENDED USE OF PROCEEDS FROM THE SUBSCRIPTION” in this circular, and the current financial position of the Company, the Company entered into the Subscription Agreement. The Directors consider that the Subscription provides an opportunity for the Company to enhance its working capital and cash flow and to strengthen its capital base and financial position.

### *Funding needs*

In early May 2016, the Company got to know the opportunities regarding the Acquisition. The Company considered that the Acquisition could enable the Group to enhance development of its pharmaceutical business in PRC. In late May 2016, the negotiation was materialized. As at 31 May 2016, being the date of the Subscription Agreement, the cash and bank balance of the Group was amounted to only approximately HK\$12.5 million (after deducting the HK\$5 million deposit for the Acquisition made in June 2016 was HK\$7.5 million), which can merely support the Group’s operation for approximately 4 months. Therefore, the Group considered that there was an immediate and crucial funding need to finance the Acquisition and working capital for maintaining the Group’s operation, as well as for potential acquisition as may be identified by the Group from time to time.

As disclosed in the Company’s annual report for the year ended 31 March 2016, the Group had cash and bank balance of approximately HK\$28.76 million as at 31 March 2016. Subsequently, approximately HK\$8.09 million was used by the head office as administrative expenses; HK\$5.00 million was paid as the initial deposit for the Acquisition and HK\$0.81 million was used for purchase of stock by the pharmaceutical business; HK\$10.30 million was lent out as loans and HK\$0.10 million was used as administrative expenses by the lending business; HK\$1.15 million was used as administrative expenses by the wireless value-added services business; and HK\$2.61 million was used for purchase of stock and as administrative expenses by the jewelry business. As such, the remaining cash and bank balance as at the Latest Practicable Date is only approximately HK\$0.7 million, which demonstrates that the Group has an immediate and crucial funding need. Such cash and bank balance will be applied as administrative expenses to maintain the Group’s recent operation.



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## LETTER FROM THE BOARD

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Set out below are (i) the estimated funding needs for specific usage of the Group in the next 12-month period from the Latest Practicable Date; (ii) the expected source of funding; and (iii) the expected timetable for using the funds:

| Designated area/<br>business segment                           | Total estimated<br>minimum funding<br>need in next 12-month<br>period from the<br>Latest Practicable Date<br>for specific usage   | Expected<br>source of funding  | Expected<br>timetable for<br>the use of fund |
|--|---|--|--|
| <b>Head office</b>   | HK\$11.7 million for general working capital (including legal and professional fees, rental expenses, payroll and other administrative expenses, and if investment opportunity arises, may allocate part of the working capital for such opportunity)   | HK\$7.5 million from the Subscription and the remaining of HK\$4.2 million from internal resources and other equity financing methods as appropriate from time to time | By the end of August 2017                    |
| <b>Pharmaceutical<br/>and healthcare<br/>products business</b> | HK\$4.3 million for consideration balance payment for the Acquisition   | From the Subscription  | As soon as possible                          |
|  | HK\$17 million for further development of the pharmaceutical and healthcare products business after completion of the Acquisition (including maintenance of a computerized trading platform, purchase of stock, rental, wages, other administrative expenses and selling and distribution expenses) | From the Subscription  | By the end of August 2017                    |
| <b>Wireless<br/>value-added<br/>services business</b>          | HK\$2.5 million to establish new wireless value-added service by way of hiring new staffs to seek for further business opportunities in mobile games and e-commerce platform.   | From the Subscription  | By the end of August 2017                    |
|  | HK\$1.2 million for general working capital (mainly administrative expenses)  | From the Subscription  | By the end of August 2017                    |

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## LETTER FROM THE BOARD

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| Designated area/<br>business segment              | Total estimated<br>minimum funding<br>need in next 12-month<br>period from the<br>Latest Practicable Date<br>for specific usage                               | Expected<br>source of funding  | Expected<br>timetable for<br>the use of fund |
|---|---|--|--|
| <b>Jewelry trading and<br/>retailing business</b> | HK\$8.3 million for general working capital (including purchase of stock, rental, wages, other administrative expenses and selling and distribution expenses) | HK\$1.5 million from the Subscription and the remaining of HK\$6.8 million from internal resources and other equity financing methods as appropriate from time to time | By the end of August 2017                    |
| <b>Lending business</b>                           | HK\$0.65 million for administrative expenses  | From internal resources  | By the end of August 2017                    |
| <b>Total</b>                                      | HK\$45.65 million   |  |  |

### *Financing alternatives*

The Directors have considered various financing methods to meet the funding needs. As to equity financing methods such as placing of new Shares, it will have an immediate dilution effect to the existing Shareholders' interest and may incur underwriting fee and other expenses. In addition, although pre-emptive issues such as rights issue and open offer would allow Shareholders to maintain their pro-rata share interests in the Company, they involve more documentation and administrative procedures than the Subscription and will unavoidably incur higher costs, especially if such issues were fully underwritten (underwriting fee may incur). If the pre-emptive issue was not fully underwritten, in view of the financial position and financial performance of the Group and the low liquidity of the Shares, the existing Shareholders' willingness to further invest in the Company is uncertain and hence the results of the pre-emptive issues would be uncertain after documentation and administrative costs were incurred.

As to other debt financing methods, the obtaining of bank loan will be subject to the banks' lengthy due diligence and credit approval processes. Given the financial position and the financial performance of the Group, it is difficult for the Company to obtain credit facility in reasonable time and in favourable terms to meet its current funding need. Compared to bank borrowing, the issue of the Convertible Note does not require any pledge of assets and will not create substantial cash flow burden on the Company if it is converted in full before maturity.

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## LETTER FROM THE BOARD

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In view of the above, the Company considered raising fund by issue of convertible note is appropriate and efficient to meet the Company's funding needs. Since Mr. Xu had known Mr. Wen for years and he considered that Mr. Wen had solid financial background and diverse investment experience, Mr. Xu then approached Mr. Wen for possible subscription of convertible note to be issued by the Company. Subsequently, Mr. Wen referred Mr. Xu to his spouse, Ms. Shen Jing, for further discussion of the possible subscription.

As the proposed principal terms of the Convertible Note (such as principal amount, interest and initial conversion price), which were comparable to the terms of other similar issues of convertible securities by other listed companies, were reached in preliminary discussion with Ms. Shen Jing, in order to save time and cost on other new rounds of assessment, discussion and negotiation with other potential investors which may or may not achieve ideal results, the Company focused its time on the negotiation and finalized the Subscription Agreement for the Convertible Note with Ms. Shen Jing. Therefore, other investors were not approached and the Company did not take any concrete actions for other fund raising means.

### *Terms of the Subscription Agreement*

As part of the assessment, the Board has compared terms of fund raising through convertible bonds/notes (interest rate and rate of discount on convertible bonds/notes) announced by other Hong Kong listed companies in the past four months prior to entering into the Subscription Agreement. The Board has identified, to its best knowledge, 38 convertible bonds/notes issue cases under both general mandate or specific mandate.

Notwithstanding the size, business nature, scale of operations and prospects of the comparables are not the same as the Company, the Board considered that as (i) the four-month period for selecting comparables (i.e. 1 February 2016 to 30 May 2016) is sufficiently recent to demonstrate the prevailing market practices prior to the date of the Subscription Agreement; and (ii) sufficient samples were identified for comparison within such period for making a general reference, therefore the Board considered that the 38 comparables identified were of a sample size to be fair and representative for comparison.

It was noted that interest rate of the convertible bonds/notes issued in the past four months by other listed companies ranged from nil to 12% per annum. The interest rate of 6% of the Convertible Note was within the market range.

It was also noted that for the convertible bonds/notes issued at discount in the last four months, the discounts to the closing price on the last trading day and to the average closing price for the last five consecutive trading days prior to the issue of relevant announcements ranged from approximately 5.8% to 26.47% and approximately 5.8% to 39.61% respectively (excluding discount of extremity). The discount of the initial Conversion Price as compared to the closing price on the Last Trading Day and to the average closing price for the last five consecutive trading days up to and including the Last Trading Day of 18.42% and 19.48% respectively were within such market ranges.

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## LETTER FROM THE BOARD

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Other terms of the Subscription Agreement, such as transferability, conversion rights, redemption, adjustment to conversion price etc., were similar and comparable to such terms of the convertible bonds/notes issued by other listed companies in the past four months period prior to the date of the Subscription Agreement.

Based on the above, the Directors are of the view that the terms of the Subscription Agreement and the Convertible Note which were determined after arm's length negotiations between the Company and the Subscriber, to be on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

An application has been made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

### FUND RAISING ACTIVITY DURING THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any other equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

#### Fund raising in 2015

Date of announcements: 31 July 2015, 2 August 2015, 21 August 2015, 29 September 2015

Event: Placing of 136,270,000 new Shares at the placing price of HK\$0.43 per Share pursuant to the placing agreement entered into between the Company and Lamtex Securities Limited (林達證券有限公司) as placing agent dated 31 July 2015

Net proceeds: Approximately HK\$57,000,000

Intended use of proceeds: Approximately HK\$45,000,000 on investment or acquisition of potential new projects, and approximately HK\$12,000,000 as general working capital

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## LETTER FROM THE BOARD

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Actual use of proceeds: Fully utilized as follows:

| Designated area/<br>business segment                           | Description of usage   | Usage amount<br>(in HK\$ million) |
|--|--|-----------------------------------|
| <b>Head office</b>   | General working capital<br>(including legal and professional<br>expenses, payroll, rental expense,<br>donation and other administrative<br>expenses) | 11.30                             |
|  | Investment in 6% interest in Hong Kong<br>Net TV Limited as announced on<br>23 October 2015 and 21 December 2015                                     | 15.00                             |
|  | <b><i>Head office subtotal</i></b>   | <b><i>26.30</i></b>               |
| <b>Pharmaceutical<br/>and healthcare<br/>products business</b> | Purchase of stock  | 8.29                              |
|  | <b><i>Pharmaceutical business subtotal</i></b>   | <b><i>8.29</i></b>                |
| <b>Wireless<br/>value-added<br/>services business</b>          | General working capital (mainly<br>administrative expenses)  | 0.80                              |
|  | <b><i>Wireless business subtotal</i></b>   | <b><i>0.80</i></b>                |
| <b>Jewelry trading<br/>and retailing<br/>business</b>          | Acquisition of the jewelry trading and<br>retailing business as announced on<br>23 December 2015   | 6.90                              |
|  | Purchase of stock  | 10.0                              |
|  | <b><i>Jewelry business subtotal</i></b>  | <b><i>16.90</i></b>               |
| <b>Lending business</b>  | Acquisition of a group of companies<br>one of which holding a money<br>lenders licence   | 0.80                              |
|  | Lent out as loans  | 3.91                              |
|  | <b><i>Lending business subtotal</i></b>  | <b><i>4.71</i></b>                |
|  | <b>Total use of proceeds</b>   | <b>57.00</b>                      |

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## LETTER FROM THE BOARD

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### Fund raising in 2016

Date of announcements: 19 February 2016 and 10 March 2016

Event: Placing of 159,848,000 new Shares under general mandate at the placing price of HK\$0.31 per Share pursuant to the placing agreement entered into between the Company and One China Securities Limited (一中證券有限公司) as placing agent dated 19 February 2016

Net proceeds: Approximately HK\$48,390,000

Intended use of proceeds: Providing additional general working capital and funding for developing new investments and acquisition of potential new projects

Actual use of proceeds: HK\$47.71 million had been utilized as follows:

| Designated area/<br>business segment                  | Description of usage  | Usage amount<br>(in HK\$ million) |
|---|---|-----------------------------------|
| Head office   | General working capital<br>(including legal and professional<br>expenses, payroll and rental expense) | 8.09                              |
|   | <i>Head office subtotal</i>   | <i>8.09</i>                       |
| Pharmaceutical and<br>healthcare<br>products business | The initial deposit of the Acquisition<br><br>Purchase of stock                                       | 5.00<br><br>0.81                  |
|   | <i>Pharmaceutical business subtotal</i>   | <i>5.81</i>                       |
| Wireless<br>value-added<br>services business          | General working capital (mainly<br>administrative expenses)   | 1.15                              |
|   | <i>Wireless business subtotal</i>   | <i>1.15</i>                       |

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## LETTER FROM THE BOARD

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| Designated area/<br>business segment         | Description of usage   | Usage amount<br>(in HK\$ million) |
|--|--|-----------------------------------|
| <b>Lending Business</b>                      | Lent out as loans to various borrowers under which a total of HK\$32 million lending has been announced in the announcement of the Company dated 21 March 2016 and 22 April 2016 | 32.39                             |
|  | General working capital (mainly administrative expenses)   | 0.27                              |
|  | <b><i>Lending business subtotal</i></b>  | <b>32.66</b>                      |
|  | <b>Total use of proceeds</b>   | <b>47.71</b>                      |
| <b>Remained in cash and<br/>bank balance</b> | Expect to be used as administrative expenses   | 0.68                              |
|  | <b>Net proceeds of the 2016 Placing</b>  | <b>48.39</b>                      |

### INTENDED USE OF PROCEEDS FROM THE SUBSCRIPTION

The gross and net proceeds from the issue of the Convertible Note are HK\$35 million and approximately HK\$34 million respectively, represent a net issue price of approximately HK\$0.301 per Share. The detailed breakdown of intended uses of proceeds from the Subscription are as follows:

| Designated area/<br>business segment | Description of usage   | Usage amount<br>(in HK\$ million) |
|--------------------------------------|--|-----------------------------------|
| <b>Head office</b>                   | General working capital (including legal and professional expense, rental expense, payroll and other administrative expenses, and if investment opportunity arises, may allocate part of the working capital for such opportunity) | 7.5                               |
|                                      | <b><i>Head office subtotal</i></b>   | <b>7.5</b>                        |

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## LETTER FROM THE BOARD

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| Designated area/<br>business segment                           | Description of usage  | Usage amount<br>(in HK\$ million) |
|--|---|-----------------------------------|
| <b>Pharmaceutical<br/>and healthcare<br/>products business</b> | Consideration balance payment for the Acquisition as announced on 31 May 2016, 30 June 2016, 29 July 2016, 23 August 2016 and 30 August 2016  | 4.3                               |
|  | Business development of the pharmaceutical and healthcare products business after completion of the Acquisition (including maintenance of a computerized trading platform, purchase of stock, payroll, rental expense, other administrative expenses and selling and distribution expenses) | 17.0                              |
|  | <b><i>Pharmaceutical business subtotal</i></b>  | <b>21.3</b>                       |
| <b>Wireless<br/>value-added<br/>services business</b>          | Establish new wireless value-added service by way of hiring new staffs to seek for further business opportunities in mobile games and e-commerce platform.  | 2.5                               |
|  | General working capital (mainly administrative expenses)  | 1.2                               |
|  | <b><i>Wireless business subtotal</i></b>  | <b>3.7</b>                        |
| <b>Jewelry trading<br/>and retailing<br/>business</b>          | General working capital (including purchase of stock, rental, wages, other administrative expenses and selling and distribution expenses)   | 1.5                               |
|  | <b><i>Jewelry business subtotal</i></b>   | <b>1.5</b>                        |
|  | <b>Total intended use of proceeds</b>   | <b>34.0</b>                       |

The Acquisition was completed on 30 August 2016. The consideration for the Acquisition of Sino Yao Shang is HK\$9.3 million, of which HK\$4.3 million has not been paid to the vendor of the Acquisition as at the Latest Practicable Date and is required to be paid as soon as possible. Sino Yao Shang was incorporated in the BVI with limited liability on 11 November 2015. Sino Yao Shang and its subsidiaries (the “**Sino Yao Shang Group**”) are principally engaged in the trading of the Chinese medicine and it may also expand its business into O2O (online-to-offline) platform in future. Currently the planned medicine online trading platform is under construction, and is designed to be accessible in computer and other mobile apps through which Chinese medicine suppliers, medical institutions, pharmaceutical companies and end-users can take part in the purchase and sale of a wide variety of Chinese herbal medicine and healthcare products in a faster and more efficient and convenient way, and at a minimum cost. The Sino Yao Shang Group will also leverage on the platform to develop Chinese medicine trading business and other



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## LETTER FROM THE BOARD

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related supporting service. The Sino Yao Shang Group has obtained the necessary licenses in carrying out the medicine trading business, such as the pharmaceutical operation permit (藥品經營許可證), the medical equipment operation permit (醫療器械經營企業許可證) and the Good Supply Practices (GSP) certificate (藥品經營質量管理規範認證證書). The Acquisition will enable the Group to directly obtain the necessary business licenses to operate pharmaceutical business in the PRC. To the best of knowledge, information and belief of the Directors and after having made all reasonable enquiries, the Subscriber, its ultimate beneficial owner and associates are not related to the vendor of the Acquisition. For details of this Acquisition, please refer to the announcement of the Company dated 31 May 2016, 23 August 2016 and 30 August 2016.

Given (i) the remaining consideration of the Acquisition is still outstanding and need to be settled, (ii) the medicine trading business is ready to commence shortly after completion of the Acquisition as it enables the Group to obtain the necessary business licenses for such business; and (iii) the Board is optimistic on the prospect of Chinese medicine business in the PRC and intended to develop such business, the Directors considered the allocation of substantial amount of net proceeds from the Subscription towards the business development of the pharmaceutical and healthcare products business is justifiable.

### **BRIEF INTRODUCTION OF THE GROUP'S BUSINESS**

#### **Pharmaceutical and healthcare products business**

The Group commenced the pharmaceutical and healthcare products business in late 2015. The Group is expected to benefit from making inroads into a market with a population of 1.4 billion in the PRC. Despite that the current economic conditions in the PRC is challenging, it is believed that this could turn out to be an opportunity for the Group to develop a sound market share there. The Group is currently researching on developing a feasible business model in the PRC. As the Group has just made effort in developing this business segment, the pharmaceutical and healthcare products business in China is still at the development stage. The pharmaceutical and healthcare products business has brought in revenue of approximately HK\$2.4 million to the Group for the three months ended 30 June 2016.

Under this segment, the Group is planning to develop a Chinese medicine business. Currently, the Sino Yao Shang Group is holding necessary licenses in carrying out medicine trading business in the PRC. The Acquisition, which was completed in late August 2016, enables the Group to tap into the prosperous segment of pharmaceutical business in the PRC. Through the Acquisition, the Group acquired a computerized trading platform and planned to further develop it into a national wide online-to-offline pharmaceutical trading platform. Significant part of proceeds from the Subscription will be used to further develop the pharmaceutical and healthcare products business.

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## LETTER FROM THE BOARD

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### **Wireless value-added services business**

With the growing market penetration of mobile devices and increasing use of internet to connect daily life of each individual in the PRC market, the Group will continue to engage in the mobile wireless value-added services business, notwithstanding de-consolidation of certain subsidiaries under the wireless segment as a result of loss of control over certain subsidiaries since 1 January 2016. After the expiry of certain wireless value-added service contracts with a PRC telecommunication operator during the year ended 31 March 2016, the Group did not have any revenue from this segment during the three months ended 30 June 2016. The Group is endeavored to assess customer preference and develop new value-added service platform in another existing subsidiary to capture the business opportunities in this segment. The Group has established a PRC company for wireless value-added services, which will include but not limited to seek for further business opportunities in mobile games and e-commerce platform.

### **Jewelry trading and retailing business**

In December 2015, the Group acquired Mastery Jewellery Co. Limited, which together with its subsidiaries, are principally engaged in the design, research and development and wholesale of jewellery. Mastery Jewellery Co. Limited operates a retail store in Shenzhen. This acquisition allows the Company to establish its business in the jewellery sector and to broaden income source. The Jewelry trading and retailing business has brought in revenue of approximately HK\$1.2 million to the Group for the three months ended 30 June 2016.

### **Lending business**

The Group embarked its lending business since January 2016 by the acquisition of companies holding necessary money lenders license pursuant to the Money Lenders Ordinance (Chapter 163, Laws of Hong Kong). This new diversified segment has started to generate stable investment returns since January 2016 and has generated revenue of approximately HK\$0.8 million for the three months ended 30 June 2016. The Group would keep on to monitor the market and environment for further possible expansion opportunities in this segment.

### **Investment in advertising business**

The Group has tapped into advertising business on 23 October 2015 by the acquisition of 6% equity interest of Hong Kong Net TV Limited, which is principally engaged in the provision of advertising and consultancy services and are holding 5 Certificates of Hong Kong Service Supplier issued by the Trade and Industry Department of Hong Kong pursuant to the Mainland and Hong Kong Closer Economic Partnership Arrangement (“CEPA”) in respect of the right to provide and render advertising services, photographic services and audiovisual services. Notwithstanding its business potential, the Board is of a view to justify any business possibility and therefore remains intact as passive investor herein for profit sharing only.

As at the Latest Practicable Date, the Group has no intention to scale down nor dispose of any of the existing businesses as stated above, but will review the operation and performance of these businesses from time to time to evaluate the needs to adjust future business plans for the interests and benefit of Group.

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## LETTER FROM THE BOARD

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### **BUSINESS PLAN AND FUTURE FUNDING NEED OF THE GROUP**

The Group is principally engaged in the provision of wireless value-added services and has recently expanded its business into the pharmaceutical and healthcare products, jewellery trading and retailing and lending business industries, financed mainly by the fund raised in August 2015 and February 2016 respectively.

With a view to strengthen and diversify the business of the Group to provide better return to the Company, the Group will keep on searching for potential investment opportunities. As at the Latest Practicable Date, the Group is searching for land property in China for the Chinese medicine business, however, no target property has been identified. Save and except for the above and the Acquisition, as at the Latest Practicable Date the Company does not have any intention or is not in negotiation or has not entered into any agreement, arrangement or understanding regarding any potential acquisition or disposal of its major assets or existing businesses.

Details of the funding needs are set out under the section headed “REASONS FOR AND BENEFITS OF THE SUBSCRIPTION — Funding needs” above.

In view of the current low cash position, there was insufficient cash to meet the funding need of the Group for its business development and future acquisition if opportunities arise, therefore the Company shall continue to seek for other fund raising opportunities available to the Company. As at the Latest Practicable Date, save for the Subscription Agreement, the Company has no intention nor any specific plan to enter into any legally-binding agreement in respect of any fund raising activity and there is currently no proposal presented by any other potential investors for investment in the Shares. Announcement will be made by the Company in the event any concrete fund raising plan arises as and when appropriate.

### **II. THE EGM**

The EGM will be held on 20th Floor, The Chinese Bank Building, 61-65 Des Voeux Road Central, Central, Hong Kong on Tuesday, 18 October 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the (i) ordinary resolution in respect of the Subscription Agreement and the transactions contemplated thereunder, including the proposed issue of the Convertible Note under the specific mandate.

A notice convening the EGM is set out on pages 27 to 29 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are advised to complete the form of proxy and return it to the Company’s Hong Kong branch share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. The completion and return of a form of proxy will not preclude you from attending and voting at the meeting in person or any adjourned meeting should you so wish, and in such case, the form of proxy submitted by you shall be deemed to be revoked.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, apart from China Force Enterprises Inc., being an associate of Ms. Shen Jing, no Shareholder has an interest in the Subscription Agreement which is materially different from the other Shareholders who is required to abstain from voting on the resolution to be proposed at the EGM. As at the Latest Practicable Date, Ms. Shen Jing and her associates were interested in 37,179,450 Shares, representing approximately 3.39% of the issued Shares, are required to abstain from voting on the resolution to be proposed at the EGM.

### III. VOTING BY POLL

Pursuant to rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting of the Company must be taken by poll. Accordingly, the proposed resolution will be put to vote by way of poll at the EGM.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative shall have one vote for every fully paid Share of which he/she is the holder. A Shareholder entitled to more than one vote need not use all his/her votes or cast all the votes he/she uses in the same way.

An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under rule 17.47(5) of the GEM Listing Rules.

### IV. RECOMMENDATION

The Directors consider that the terms of the Subscription Agreement and the Convertible Note are on normal commercial terms and are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the resolution to be proposed at the EGM (or any adjournment thereof).

### V. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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## LETTER FROM THE BOARD

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### VI. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in case of discrepancy.

Yours faithfully,  
By order of the Board  
**PROSTEN TECHNOLOGY HOLDINGS LIMITED**  
**Xu Zhigang**  
*Chairman*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### 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)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Prosten Technology Holdings Limited (the “**Company**”) will be held at 20th Floor, The Chinese Bank Building, 61-65 Des Voeux Road Central, Central, Hong Kong on Tuesday, 18 October 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

#### AS ORDINARY RESOLUTION

1. “**THAT**

- (a) the subscription agreement dated 31 May 2016 (the “**Subscription Agreement**”), a copy of which has been produced to the meeting and marked “A” for the purpose of identification, and entered into between (i) the Company as issuer and (ii) Dragon Fortune Group Holdings Limited (the “**Subscriber**”) as subscriber, in relation to the issue of the 6% unsecured convertible note in the principal amount of HK\$35,000,000 (the “**Convertible Note**”) by the Company to the Subscriber and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) subject to the fulfillment and/or waiver of the conditions set out in the Subscription Agreement, the Directors of the Company be and are hereby authorised to exercise all the powers of the Company and to take all steps as might in his/her opinion be desirable or necessary in connection with the Subscription Agreement to, including without limitation, issue the Convertible Note and the allotment and issue of new ordinary shares upon conversion, in favour of the Subscriber;
- (c) the allotment and issue of new ordinary shares (the “**Conversion Shares**”) of HK0.10 each in the share capital of the Company upon exercise of the conversion rights attaching to the Convertible Note, pursuant to the terms of the Convertible Note, be and are hereby approved;

\* For identification purpose only

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (d) any director of the Company be and is hereby authorised to do such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two directors of the Company or any director of the Company together with the secretary of the Company) and to take such steps as he/she may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription Agreement or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

Yours faithfully,  
By order of the Board  
**PROSTEN TECHNOLOGY HOLDINGS LIMITED**  
**Xu Zhigang**  
*Chairman*

Hong Kong, 30 September 2016

*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:*

Unit 905  
Star House  
3 Salisbury Road  
Tsim Sha Tsui  
Kowloon  
Hong Kong

*Notes:*

1. A form of proxy for use at the EGM (or any adjournment thereof) is enclosed herewith. Any shareholder entitled to attend and vote at the above meeting is entitled to appoint one or more than one proxy to attend and to vote in his/her stead in accordance with the articles of association of the Company. A proxy need not to be a shareholder of the Company.
2. Whether there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, then one of the said holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority must be deposited at the Company's Hong Kong branch share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the above meeting or any adjournment thereof.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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4. The completion and return of a form of proxy shall not preclude a member from attending and voting in person at the above meeting should you so and in such event, the form of proxy shall be deemed to be revoked.
5. The resolution at the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands) and the results of the poll will be published on the GEM website of the Stock Exchange (<http://www.hkgem.com>) and on the website of the Company (<http://www.prosten.com>) in accordance with the GEM Listing Rules.