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

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

## THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2017

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

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

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities trade 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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*This announcement, for which the directors (the "Directors") of Prosten Health Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## HIGHLIGHTS

- Revenue of the Group for the nine months ended 31 December 2017 amounted to approximately HK$31,820,000, representing an increase of approximately 92.5% as compared to the corresponding period of the previous financial year.

- The Group's gross profit for the nine months ended 31 December 2017 was approximately HK$5,878,000, increased by approximately HK$1,246,000 as compared with the same period of the last financial year.

- Profit attributable to owners of the Company for the nine months ended 31 December 2017 amounted to approximately HK$29,852,000 (for the nine months ended 31 December 2016: loss HK$15,991,000).

- The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2017.

## UNAUDITED CONSOLIDATED RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the nine months and three months ended 31 December 2017 together with the unaudited comparative figures for the corresponding periods in 2016 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Nine months ended 31 December | | Three months ended 31 December | |
|---|---|---|---|---|---|
| | | **2017** | 2016 | **2017** | 2016 |
| | *Notes* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| **Revenue** | *4* | **31,820** | 16,527 | **8,099** | 8,312 |
| Cost of sales | | **(25,942)** | (11,895) | **(6,085)** | (6,538) |
| Gross profit | | **5,878** | 4,632 | **2,014** | 1,774 |
| Other income and gains | | **371** | 189 | **71** | — |
| Selling expenses | | **(2,744)** | (2,328) | **(734)** | (801) |
| Administrative expenses | | **(16,171)** | (17,131) | **(5,038)** | (7,357) |
| Other expenses | | **(629)** | (12) | **(291)** | (12) |
| Gain on disposal of subsidiaries | *8* | **1,371** | — | **—** | — |
| **Loss before tax** | | **(11,924)** | (14,650) | **(3,978)** | (6,396) |
| Income tax expense | *5* | **(5)** | (33) | **(5)** | — |
| **Loss for the period from continuing operations** | | **(11,929)** | (14,683) | **(3,983)** | (6,396) |
| **Discontinued operations** | | | | | |
| Profit/(loss) for the period from discontinued operations | *6* | **41,770** | (1,308) | **—** | (306) |
| **Profit/(loss) for the year** | | **29,841** | (15,991) | **(3,983)** | (6,702) |

| | Notes | Nine months ended 31 December **2017** **HK$'000** **(Unaudited)** | 2016 *HK$'000* (Unaudited) | Three months ended 31 December **2017** **HK$'000** **(Unaudited)** | 2016 *HK$'000* (Unaudited) |
|---|---|---|---|---|---|
| **Other comprehensive income/(expenses):** | | | | | |
| Item that may be reclassified subsequently to profit or loss: | | | | | |
| Foreign current translation arising on translation of foreign operations: | | | | | |
| Foreign current translation arising during the period | | **2,586** | (1,487) | **(1,439)** | (828) |
| Share of foreign currency translation reserve of associate | | **134** | — | **—** | — |
| Reclassification adjustments relating to foreign operations disposed of during the period | | **(13,169)** | — | **—** | — |
| Net loss on revaluation of available-for-sale financial assets | | **(1,583)** | — | **—** | — |
| **Total comprehensive income/(expenses) for the period** | | **17,809** | (17,478) | **(5,422)** | (7,530) |
| **Profit/(loss) for the period attributable to:** | | | | | |
| — Owners of the Company | | **29,852** | (15,991) | **(3,983)** | (6,702) |
| — Non-controlling interest | | **(11)** | — | **—** | — |
| | | **29,841** | (15,991) | **(3,983)** | (6,702) |

| | Notes | Nine months ended 31 December 2017 HK$'000 (Unaudited) | Nine months ended 31 December 2016 HK$'000 (Unaudited) | Three months ended 31 December 2017 HK$'000 (Unaudited) | Three months ended 31 December 2016 HK$'000 (Unaudited) |
|---|---|---|---|---|---|
| **Total comprehensive income/(expenses) for the period attributable to:** | | | | | |
| — Owners of the Company | | **17,820** | (17,478) | **(5,422)** | (7,530) |
| — Non-controlling interest | | **(11)** | — | **—** | — |
| | | **17,809** | (17,478) | **(5,422)** | (7,530) |
| **Earnings/(loss) per share from continuing and discontinued operations** | | | | | |
| — Basic and diluted | 7 | **HK2.47 cents** | HK(1.44) cents | **HK(0.33) cents** | HK(0.59) cents |
| **Loss per share from continuing operations** | | | | | |
| — Basic and diluted | 7 | **HK(0.98) cents** | HK(1.33) cents | **HK(0.33) cents** | HK(0.56) cents |
| **Earnings/(loss) per share from discontinued operations** | | | | | |
| — Basic and diluted | 7 | **HK3.45 cents** | HK(0.11) cents | **HK0.00 cents** | HK(0.03) cents |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the nine months ended 31 December 2017*

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium account HK$'000 | Statutory reserve fund HK$'000 (note a) | Available-for-sale financial assets equity reserve HK$'000 (note b) | Foreign currency translation reserve HK$'000 (note c) | Share option reserve HK$'000 | Accumulated losses HK$'000 | Sub-total HK$'000 | Non-controlling interest HK$'000 | Total equity HK$'000 |
| As at 1 April 2017 (audited) | 120,826 | 479,598 | 3,349 | 1,583 | 11,922 | 316 | (542,868) | 74,726 | (35) | 74,691 |
| Loss for the period (unaudited) | — | — | — | — | — | — | 29,852 | 29,852 | (11) | 29,841 |
| **Other comprehensive income/(expenses) for the period (unaudited):** | | | | | | | | | | |
| Foreign currency translation arising on translation of foreign operations: | | | | | | | | | | |
| Foreign currency translation arising during the period | — | — | — | — | 2,586 | — | — | 2,586 | — | 2,586 |
| Share of foreign currency translation reserve of an associate | — | — | — | — | 134 | — | — | 134 | — | 134 |
| Reclassification adjustments relating to foreign operations disposed of during the period | — | — | — | — | (13,169) | — | — | (13,169) | — | (13,169) |
| Net loss on revaluation of available-for-sale financial assets | — | — | — | (1,583) | — | — | — | (1,583) | — | (1,583) |
| Total comprehensive (expenses)/income for the period (unaudited) | — | — | — | (1,583) | (10,449) | — | 29,852 | 17,820 | (11) | 17,809 |
| Exercise of share options | 270 | 491 | — | — | — | (316) | — | 445 | — | 445 |
| Disposal of subsidiaries | — | — | (3,348) | — | — | — | 3,348 | — | 46 | 46 |
| As at 31 December 2017 (unaudited) | 121,096 | 480,089 | 1 | — | 1,473 | — | (509,668) | 92,991 | — | 92,991 |

| | Attributable to equity holders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** *HK$'000* | **Share premium account** *HK$'000* | **Statutory reserve fund** *HK$'000* *(note a)* | **Available-for-sale financial assets equity reserve** *HK$'000* *(note b)* | **Foreign currency translation reserve** *HK$'000* *(note c)* | **Share option reserve** *HK$'000* | **Accumulated losses** *HK$'000* | **Total equity** *HK$'000* |
| As at 1 April 2016 (audited) | 109,536 | 455,438 | 3,349 | 6,760 | 14,766 | 316 | (519,211) | 70,954 |
| Loss for the period (unaudited) **Other comprehensive expense for the period (unaudited):** | — | — | — | — | — | — | (15,991) | (15,991) |
| Foreign currency translation arising on translation of foreign operations: Exchange differences on translation of foreign operations (unaudited) | — | — | — | — | (1,487) | — | — | (1,487) |
| Total comprehensive expense for the period (unaudited) | — | — | — | — | (1,487) | — | (15,991) | (17,478) |
| Issue of shares on a conversion of convertible note (unaudited) | 11,290 | 23,709 | — | — | — | — | — | 34,999 |
| As at 31 December 2016 (unaudited) | 120,826 | 479,147 | 3,349 | 6,760 | 13,279 | 316 | (535,202) | 88,475 |

*Notes:*

**(a) Statutory reserve fund**

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

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

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

**(c) Foreign currency translation reserve**

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

*Notes:*

## 1. ORGANISATION AND PRINCIPAL ACTIVITY

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The address of its principal place of business in Hong Kong is Unit 715, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the GEM.

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

## 2. BASIS OF PREPARATION

The Group's unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all individual HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. In addition, the unaudited consolidated results include applicable disclosures required by the GEM Listing Rules. The measurement basis used in the preparation of the unaudited consolidated results is the historical cost convention, except for the available-for-sale financial assets and financial assets at fair value through profit or loss which have been measured at fair value.

The accounting policies applied in the preparation of the unaudited consolidated results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2017, except that the Group has adopted a number of new and amendments to HKFRSs, which are newly effective for the period under review. The adoption of these new and amendments to HKFRSs had no material effect on the financial results of the current periods. Accordingly, no change in significant accounting policies and no prior period adjustment is required.

The Group has not applied any new and amendments to HKFRSs that have been issued but are not yet effective for the current accounting period.

The unaudited consolidated results have not been audited but have been reviewed by the audit committee of the Company ("Audit Committee").

## 3. OPERATING SEGMENT INFORMATION

The Group's operating activities are currently attributable to three operating segments focusing on trading and retailing of jewelry ("Jewelry Business"), money lending ("Lending Business") and trading and distributing pharmaceutical and healthcare products ("Pharmaceutical Business"). These operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conformed to HKFRSs, that are regularly reviewed by the executive Directors (the "Executive Directors") (being the chief operating decision maker of the Company). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. The details of operating and reportable segments of the Group are as follows:

- Jewelry Business
- Lending Business
- Pharmaceutical Business

The following is an analysis of the Group's revenue and results from continuing operations:

| **For the nine months ended 31 December 2017** | **Jewelry Business** *HK$'000* **(Unaudited)** | **Lending Business** *HK$'000* **(Unaudited)** | **Pharmaceutical Business** *HK$'000* **(Unaudited)** | **Consolidation** *HK$'000* **(Unaudited)** |
|---|---|---|---|---|
| **REVENUE** | | | | |
| External sales | **19,197** | **2,630** | **9,993** | **31,820** |
| **RESULTS** | | | | |
| Segment results (loss)/profit | **(1,592)** | **1,090** | **(5,368)** | **(5,870)** |
| Unallocated income and expenses | | | | **(6,054)** |
| Loss before tax | | | | **(11,924)** |

| **For the three months ended 31 December 2017** | **Jewelry Business** *HK$'000* **(Unaudited)** | **Lending Business** *HK$'000* **(Unaudited)** | **Pharmaceutical Business** *HK$'000* **(Unaudited)** | **Consolidation** *HK$'000* **(Unaudited)** |
|---|---|---|---|---|
| **REVENUE** | | | | |
| External sales | **3,368** | **1,056** | **3,675** | **8,099** |
| **RESULTS** | | | | |
| Segment results (loss)/profit | **(614)** | **547** | **(1,184)** | **(1,251)** |
| Unallocated income and expenses | | | | **(2,727)** |
| Loss before tax | | | | **(3,978)** |

| For the nine months ended 31 December 2016 | Jewelry Business *HK$'000* (Unaudited) | Lending Business *HK$'000* (Unaudited) | Pharmaceutical Business *HK$'000* (Unaudited) | Consolidation *HK$'000* (Unaudited) |
|---|---|---|---|---|
| **REVENUE** | | | | |
| External sales | 9,340 | 2,785 | 4,402 | 16,527 |
| **RESULTS** | | | | |
| Segment results (loss)/profit | (1,320) | 1,626 | (3,283) | (2,977) |
| Unallocated income and expenses | | | | (11,673) |
| Loss before tax | | | | (14,650) |

| For the three months ended 31 December 2016 | Jewelry Business *HK$'000* (Unaudited) | Lending Business *HK$'000* (Unaudited) | Pharmaceutical Business *HK$'000* (Unaudited) | Consolidation *HK$'000* (Unaudited) |
|---|---|---|---|---|
| **REVENUE** | | | | |
| External sales | 6,503 | 1,042 | 767 | 8,312 |
| **RESULTS** | | | | |
| Segment results (loss)/profit | (225) | 622 | (2,251) | (1,854) |
| Unallocated income and expenses | | | | (4,542) |
| Loss before tax | | | | (6,396) |

Segment (loss)/profit represents the (loss suffered)/profit by each segment without allocation of central administration costs, certain other income and gains and other expenses. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

## 4. REVENUE

Revenue represents the invoiced value of goods sold and services rendered during the periods.

## 5. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the nine months ended 31 December 2017. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

*From the continuing operation:*

| | **Nine months ended 31 December** | | **Three months ended 31 December** | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| Current — Hong Kong: | | | | |
| Charge for the period | **5** | 33 | **5** | — |
| Current — Overseas: | | | | |
| Charge for the period | **—** | — | — | — |
| Total tax charged for the period | **5** | 33 | 5 | — |

## 6. DISCONTINUED OPERATION

On 2 June 2017, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of Prosten (BVI) Limited and its subsidiaries, which is principally engaged in wireless value-added services operation ("Wireless Value-added Business"). The disposal of the Wireless Value-added Business is consistent with the Group's long-term policy to focus its activities on the Group's other operations. The disposal was completed on 5 June 2017, on which date the control of Prosten (BVI) Limited passed to the acquirer.

Profit/(loss) for the period from the discontinued operation is analysed as follows:

| | **Period from 1 April 2017 to respective date of disposal of subsidiaries** *HK$'000* **(Unaudited)** | For the nine months 31 December 2016 *HK$'000* (Unaudited) |
|---|---|---|
| Loss for the period from Wireless Value-added Business | **(65)** | 1,308 |
| Gain on disposal of Wireless Value-added Business | **41,835** | — |
| Profit/(loss) for the period from discontinued operation attributable to owners of the Company | **41,770** | 1,308 |

Loss of the Wireless Value-added Business for the period, which have been included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

| | **Period from 1 April 2017 to respective date of disposal of subsidiaries** *HK$'000* **(Unaudited)** | For the nine months 31 December 2016 *HK$'000* (Unaudited) |
|---|---|---|
| Revenue | **—** | — |
| Other income and gains | **—** | 6 |
| Administrative, selling and other expenses | **(65)** | (1,308) |
| Loss before tax | **(65)** | (1,302) |
| Income tax expense | **—** | (6) |
| Loss for the period from discontinued operation | **(65)** | (1,308) |

## 7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share from continuing and discontinued operations for the nine months and three months ended 31 December 2017 is based on the unaudited profit for the period attributable to owners of the Company of approximately HK$29,852,000 and loss of HK$3,983,000 (nine months and three months ended 31 December 2016: loss of HK$15,991,000 and HK$6,702,000) and the weighted average number of ordinary shares of approximately 1,210,168,482 and 1,210,963,755 respectively for the nine months and three months ended 31 December 2017 (nine months and three months ended 31 December 2016: 1,108,087,773 and 1,133,403,978).

The calculation of basic loss per share from continuing operations for the nine months and three months ended 31 December 2017 is based on the unaudited loss from continuing operations for the period attributable to owners of the Company of approximately HK$11,918,000 and HK$3,983,000 (nine months and three months ended 31 December 2016: HK$14,683,000 and HK$6,396,000).

The calculation of basic earnings per share from discontinued operation for the nine months and three months ended 31 December 2017 is based on the unaudited profit from discontinued operation for the period attributable to owners of the Company of approximately HK$41,770,000 and nil (nine months and three months ended 31 December 2016: loss of HK$1,308,000 and HK$306,000).

The weighted average number of ordinary shares used are same as those described above for the calculation of basic loss per share from continuing operations and the basic earnings per share from discontinued operation.

As there were no dilutive potential equity shares in existence as at 31 December 2017 and 2016, the basic and diluted earning/(loss) per share were the same for the periods.

## 8. DISPOSAL OF SUBSIDIARIES

**Prosten (BVI) Limited**

On 2 June 2017, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of Prosten (BVI) Limited and its subsidiaries which is principally engaged in the Wireless Value-added Business, and a shareholder loan with amounts of approximately HK$8,151,000 at a consideration of HK$4,600,000. The disposal was completed on 5 June 2017.

| | *HK$'000* |
|---|---|
| Consideration transferred: | |
| Cash consideration | **4,600** |

***Analysis of assets and liabilities***

| | *HK$'000* |
|---|---|
| Property, plant and equipment | **960** |
| Prepayments, deposits and other receivables | **74** |
| Cash and cash equivalents | **92** |
| Trade payables | **(2,703)** |
| Other payables and accruals | **(3,939)** |
| Amount due to de-consolidated former subsidiaries | **(18,155)** |
| Amount due to ultimate holding company | **(8,151)** |
| Tax payable | **(12)** |
| Deferred tax liabilities | **(169)** |
| Net liabilities disposed of | **(32,003)** |

| | |
|---|---|
| Gain on disposal of subsidiaries: | |
| Consideration | **4,600** |
| Net liabilities disposed of | **32,003** |
| Amount due to ultimate holding company assigned to the purchaser | **(8,151)** |
| Release of foreign currency translation reserve upon disposal of subsidiaries | **13,383** |
| | **41,835** |

| | |
|---|---|
| Net cash inflow arising on disposal of Prosten (BVI) Limited: | |
| Cash consideration received | **4,600** |
| Less: cash and cash equivalents disposed of | **(92)** |
| Net cash inflow | **4,508** |

**Prosten Wealth Investment Limited**

On 8 June 2017, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of Prosten Wealth Investment Limited and its subsidiaries which is principally engaged in money lending business, and a shareholder loan with amounts of approximately HK$100,000 at a consideration of approximately HK$1,480,000. The disposal was completed on 15 June 2017.

| | *HK$'000* |
|---|---|
| Consideration transferred: | |
| Cash consideration | **1,480** |

***Analysis of assets and liabilities***

| | *HK$'000* |
|---|---|
| Cash and cash equivalents | **402** |
| Amount due to immediate holding company | **(100)** |
| Net assets disposed of | **302** |

Gain on disposal of subsidiaries:

| | |
|---|---|
| Consideration | **1,480** |
| Net assets disposed of | **(302)** |
| Amount due to immediate holding company assigned to the purchaser | **(100)** |
| | **1,078** |

Net cash inflow arising on disposal of Prosten Wealth Investment Limited:

| | |
|---|---|
| Cash consideration received | **1,480** |
| Less: cash and cash equivalents disposed of | **(402)** |
| Net cash inflow | **1,078** |

**Meteor Investment (HK) Limited**

On 26 July 2017, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of Meteor Investment (HK) Limited and its subsidiaries which is principally engaged in pharmaceutical business, and a shareholder loan with amounts of approximately HK$11,311,000 at a consideration of HK$9,000,000. The disposal was completed on 14 August 2017.

| | |
|---|---|
| | *HK$'000* |
| Consideration transferred: | |
| Cash consideration | **9,000** |

***Analysis of assets and liabilities***

| | |
|---|---|
| | *HK$'000* |
| Property, plant and equipment | **117** |
| Long-term prepaid rentals | **1,188** |
| Biological assets | **728** |
| Inventories | **5,414** |
| Prepayments, deposits and other receivables | **485** |
| Cash and cash equivalents | **523** |
| Other payables and accruals | **(8)** |
| Amount due to immediate holding company | **(11,311)** |
| Net liabilities disposed of | **(2,864)** |

| | |
|---|---|
| Gain on disposal of subsidiaries: | |
| Consideration | **9,000** |
| Net liabilities disposed of | **2,864** |
| Amount due to immediate holding company assigned to the purchaser | **(11,311)** |
| Release of foreign currency translation reserve upon disposal of subsidiaries | **(214)** |
| Non-controlling interests | **(46)** |
| | **293** |
| Net cash inflow arising on disposal of Meteor Investment (HK) Limited: | |
| Cash consideration received | **9,000** |
| Less: cash and cash equivalents disposed of | **(523)** |
| Net cash inflow | **8,477** |

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2017 (for the nine months ended 31 December 2016: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

#### *Revenue*

The Group's revenue for the nine months and three months ended 31 December 2017 amounted to approximately HK$31,820,000 and HK$8,099,000 respectively (nine months and three months ended 31 December 2016: HK$16,527,000 and HK$8,312,000 respectively). The Group commenced its gold jewelry wholesales in November 2016 and commenced its sales of medical and pharmaceutical products to hospitals in April 2017. The revenue from the Jewelry Business for the three months ended 31 December 2017 decreased by approximately HK$3,135,000 as compared to the same period in 2016 due to fierce market competition. As there were sales of medical and pharmaceutical products to hospitals for the three months ended 31 December 2017, the revenue from the Pharmaceutical Business increased by approximately HK$2,908,000 as compared to the same period in 2016. The increase in revenue of HK$15,293,000 for the nine months ended 31 December 2017 was mainly attributable to increase in sales of gold jewelry of approximately HK$9,857,000 and increase in sales of medical and pharmaceutical products to hospitals of approximately HK$5,591,000 as compared with the same period in 2016.

#### *Cost of sales and gross profit margin*

Cost of sales of the Group for the nine months and three months ended 31 December 2017 amounted to approximately HK$25,942,000 and HK$6,085,000 respectively (nine months and three months ended 31 December 2016: HK$11,895,000 and HK$6,538,000 respectively). The change in cost of sales was in line with the change in revenue. As the gold jewelry wholesale contributed a significant part of the revenue, which had a lower gross profit margin, the overall gross profit margin deceased from approximately 28% for the nine months ended 31 December 2016 to approximately 18% for the nine months ended 31 December 2017.

*Expenses*

Selling expenses incurred for the nine months and three months ended 31 December 2017 was approximately HK$2,744,000 and HK$734,000, which were increased by approximately HK416,000 and reduced by approximately HK$67,000 respectively, as compared with those in the corresponding periods of 2016. The increase for the nine months and the decrease for the three months ended 31 December 2017 in selling expenses are in line with the changes in sales activities.

Administrative expenses were reduced by approximately HK$960,000 and HK$2,319,000 respectively, from approximately HK$17,131,000 and HK$7,357,000 for the nine months and three months ended 31 December 2016 to approximately HK$16,171,000 and HK$5,038,000 for the nine months and three months ended 31 December 2017, which was mainly due to decrease in legal and professional fee and rental expenses, and the effect of which was partially offset by increase in administrative expense from the Jewelry Business and the Pharmaceutical Business due to their business expansion.

*Gain on disposal of subsidiaries*

Please refer to note 8 to the unaudited consolidated results for details of gain on disposal of subsidiaries.

*Total equity*

As at 31 December 2017, the Group has a total equity amounted to approximately HK$92,991,000 (as at 31 March 2017: HK$74,691,000) and net current assets amounted to approximately HK$58,331,000 (as at 31 March 2017: HK$39,834,000).

*Liquidity and financial resources*

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

As at 31 December 2017, total cash and cash equivalents of the Group amounted to approximately HK$6,831,000 (as at 31 March 2017: HK$8,738,000). As at 31 December 2017 and 31 March 2017, the Group had no outstanding loan from third party.

### *Treasury policies and foreign currency exchange exposure*

Despite that the Group's trading transactions, monetary assets and liabilities are mainly denominated in RMB and Hong Kong dollars, it does not believe that the impact of foreign exchange exposure to the Group was 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.

Cash is generally deposited at banks in the PRC and Hong Kong and denominated mostly in Renminbi and Hong Kong dollar. As at 31 December 2017, no related hedges were made by the Group (as at 31 March 2017: nil).

### *Contingent liabilities*

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

### *Significant investments, acquisitions or disposals*

Except for the disposal of the entire issued share capital of and shareholder's loans to Prosten (BVI) Limited, Prosten Wealth Investment Limited and Meteor Investment (H.K.) Limited as detailed in note 8 to the unaudited consolidated results, the Group does not have any material acquisition or disposal during the nine months ended 31 December 2017.

### *Capital structure*

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

During the nine months ended 31 December 2017, the Company has issued and allotted 2,700,000 new shares at the exercise price of HK$0.165 per share as a result of exercise of share options by the share option holders of the Company.

The Group's capital structure is sound with healthy working capital management. As at 31 December 2017, the Group's total equity amounted to approximately HK$92,991,000, representing an increase of approximately 24.5% compared with that as at 31 March 2017 (31 March 2017: HK$74,691,000). As at 31 December 2017, the Group's cash and cash equivalents totaled approximately HK$6,831,000 (as at 31 March 2017: HK$8,738,000). The current ratio (note 1) and the quick ratio (note 2) of the Group as at 31 December 2017 was 3.7 (as at 31 March 2017: 2.38) and 2.7 (as at 31 March 2017: 1.86) respectively. The Group was in net cash position as at 31 December 2017 (gearing ratio (note 3) as at 31 March 2017: 13.92%).

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

Note: (1) Current Ratio = Current Assets ÷ Current Liabilities

Note: (2) Quick Ratio = (Current Assets – Inventories) ÷ Current Liabilities

Note: (3) Gearing Ratio = (Debts – Cash and cash equivalents) ÷ Equity

**Event after the Reporting Period**

(1) Pursuant to the loan agreements made between SZ Enterprise Union Finance Limited, an indirect wholly-owned subsidiary of the Company ("SZ Enterprise"), and Mr. Chen Tianju, the borrower ("Mr. Chen") on 25 January 2017 and 2 June 2017 respectively, two loans in the principal amount of HK$6,000,000 each bearing interest at a rate of 12% per annum for a period of 12 months and 8 months respectively were advanced to the Mr. Chen. On 25 January 2018, SZ Enterprise entered into the extension agreement with the Mr. Chen whereby the final repayment date of the loans was extended for 3 months respectively. For further details of the extension, please refer to the Company's announcement dated 25 January 2018.

(2) Pursuant to the loan agreement made between SZ Enterprise and Ms. Ding Pingying, the borrower ("Ms. Ding") on 9 February 2018, a loan in the principal amount of HK$11,000,000 bearing interest at a rate of 12% per annum is to be provided to Ms. Ding for a period of six months. As at the date of this announcement, the loan has not been drawdown. For further details of the provision of loan, please refer to the Company's announcement dated 9 February 2018.

**Business Review and Outlook**

***Jewelry Business***

The Group commenced its Jewelry Business in 2015 and continued to develop this business in the period under review.

During the period under review, the Group's Jewelry Business included wholesale and retail of jewelry and related ancillary business (including but not limited to custom-made jewelry, valet-procurement of jewelry and various after-sales services), and most of the processing businesses are performed in the form of commissioned processing by external factories. The jewelry products sold by the Group mainly included gold jewelry, platinum jewelry, diamond jewelry, gemstone jewelry, emerald and karat gold jewelry.

The Group's jewelry retailing business was conducted mainly through an offline store located in Wongtee Plaza, Futian District, Shenzhen, the PRC, which is a franchised store of the Luk Fook Jewellry brand. The store is required to select goods from the suppliers designated by Luk Fook Jewellry. Upon quality inspection by state-approved jewelry identification center and being claimed to the store by the Group's staff, the goods are immediately entered into store sales system for sale. Most of the jewelry goods purchased by the store from the suppliers were finished jewelry products, which are generally not required to undergo reprocessing before sale.

The Group's jewelry wholesale business was mainly conducted through the wholesale of jewelry products to jewelry wholesalers by 至尊彩虹鑽石(深圳)有限公司, a wholly owned subsidiary of the Company, where the jewelry products being wholesaled were mainly gold jewelries. During the period under review, the Group has the secondary membership (二級會員資格) of Shanghai Gold Exchange and continued to develop the secondary gold sales agency business (黃金二級代理業務). The Group may place orders for bullion via the online trading platform of Shanghai Gold Exchange. After claiming the bullion, the Group may commission external factories to process into finished gold jewelries and wholesale to jewelry wholesalers.

The Group will continue to focus on developing its Jewelry Business. With reference to its past sales experience, the Group intends to step up its efforts in identifying more jewelry wholesaler customers in South China, thereby expanding the sales channels of its secondary gold sales agency business (黃金二級代理業務). As to retail of jewelry, the positioning of retail products in stores will focus on mid-end products, which will be supplemented by low end products. Meanwhile, the Group will put more efforts to raise the sales proportion to its major high-end corporate customers (which principally purchase or customize jewelry as corporate gifts/awards) so as to increase the jewelry sales as well as generate profits.

The increase in revenue from the Jewelry Business for the period under review was mainly because of the increase in trading of golden jewelry products in the PRC. However, relatively low gross margin of wholesale of jewelry and the selling and administrative expenses to maintain and develop this business resulted in loss in this segment. Going forward, the Group will try to allocate more resources to develop its Jewelry Business, especially the golden jewelry trading business, and at the same will try further effort to control the selling and administrative expenses to increase the profitability of the Jewelry Business.

***Lending Business***

The Group commenced its Lending Business in Hong Kong in 2016 through acquiring a group of companies with a valid money lending licence in Hong Kong to diversify its income source. The Lending Business continued to grow and contributed positive results to the Group during the period under review. The Group will pay a closer attention to the market situation and the external economic environment and consider the possibility of further expansion in the Lending Business.

There were three major outstanding loan receivables with the Group as at 31 December 2017. All of them were carried out as part of the ordinary and usual course of business of the Group and brought in interest income to the Group.

Pursuant to the loan agreement and extension agreements entered into between SZ Enterprise Union Finance Limited ("SZ Finance"), an indirect wholly-owned subsidiary of the Company, and the borrower, Mr. Wen Qimin, on 8 November 2016, 8 May 2017 and 25 October 2017 respectively, an unsecured loan in the principal amount of HK$13,000,000 bearing interest at a rate of 10% per annum for a six-month period, was drawn down on 8 November 2016. The original final repayment date of the loan was on 8 May 2017 and was extended to 23 December 2017. The interest rate of the loan was changed from 10% per annum to 13% per annum effective from 9 October 2017. As at 31 December 2017, the above loan was still outstanding but as at the date of this announcement, the loan together with all accrued interests has been repaid.

In addition, pursuant to the loan agreements entered into between SZ Finance and the borrower, Mr. Chen Tianju, on 25 January 2017 and 2 June 2017 respectively, two unsecured loans was granted to and drawn down by Mr. Chen Tianju on 25 January 2017 and 7 June 2017 respectively. The loans were in the principal amount of HK$6,000,000 each and were bearing an interest at a rate of 12% per annum for a term of twelve months and eight months respectively. On 25 January 2018, SZ Finance entered into the extension agreement with the borrower whereby the final repayment date of the loans is extended to 25 April 2018 and 7 May 2018 respectively but early repayment is allowed.

The Group has conducted internal risk assessment on these loan arrangements and noted both of the borrowers have substantial investments and assets in the PRC which support their respective financial capability to repay the loans, thus no securities or collaterals was sought. The purpose of the loans is to enhance their short-term cash flow.

***Pharmaceutical Business***

The Group commenced its Pharmaceutical Business in 2016 and continued to develop this business in the period under review.

During the year ended 31 March 2017, the Group has established business relationships with target pharmaceutical companies and chain pharmacies and during the period under review, it has established business relationships with a group of target hospitals in western Guangdong, which are mainly related to the distribution of pharmaceuticals and pharmaceutical consumables to such hospitals as well as the supply of pharmaceuticals and healthcare products to such pharmaceutical companies and chain pharmacies. During the aforementioned supply and sales activities, the Group mainly acts as a channel distributor to conduct sales activities, which does not involve pharmaceutical production.

During the year ended 31 March 2017 and the period under review, the Group also engaged in the cultivation of longan and radix millettiae speciosae, which requires relatively long period to realise the investment. As the auxiliary business of the Pharmaceutical Business, the Group also sold health food products, such as health protection tea leaves and walnut jujube, in the year ended 31 March 2017. During the period under review, the Group had no revenue from sales of health food products and cultivation of longan and radix millettiae speciosae.

On 26 July 2017, Meteor Storm Holdings Limited ("Meteor Storm"), an indirect wholly-owned subsidiary of the Company, entered into a disposal agreement with an independent third party, pursuant to which Meteor Storm agreed to sell and the purchaser agreed to acquire the entire issued share capital of Meteor Investment (H.K.) Limited ("Meteor HK"), a direct wholly- owned subsidiary of Meteor Storm. The disposal was completed on 14 August 2017. Upon completion of the disposal, Meteor HK and its subsidiaries ("Meteor HK Group"), which were engaged in trading of pharmaceutical products (Chinese medicine), sales of health food and cultivation of longan and radix millettiae speciosae, ceased to be subsidiaries of the Company. The disposal represented an opportunity to realise the Group's investment in the Meteor HK Group. After the disposal, the Group has focused its resources allocated to the Pharmaceutical Business on the remaining subsidiaries under the Pharmaceutical Business, which holds license 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) and is principally engaged in the sales of pharmaceuticals, healthcare products and pharmaceutical consumables.

The revenue from the Pharmaceutical Business increased by approximately HK$5,591,000 from approximately HK$4,402,000 for the nine months ended 31 December 2016 to approximately HK$9,993,000 for the nine months ended 31 December 2017. Such increase was mainly due to the increase in sales of pharmaceutical products to hospitals.

In regard to the sales of pharmaceutical and healthcare products, the Group will review the market situation and the profitability of the business periodically. Then the Group will adjust the business volume in accordance with market demands and determine the resources to be further allocated based upon the business volume and operating situation from time to time.

***Wireless Value-added Service Business***

Since the expiry of wireless value-added service contracts with a PRC telecommunication operator during the year ended 31 March 2016, the Group did not have any revenue from wireless value-added service for the year ended 31 March 2017 and for the period under review.

As disclosed in the Company's announcement dated 2 June 2017, the Company disposed the entire issued share capital of Prosten (BVI) Limited, a direct wholly-owned subsidiary of the Company. The disposal was completed on 5 June 2017. As a result of the disposal, the Company disposed most of its subsidiaries engaged in the wireless value-added service business. Considering the challenging and volatile market situation for this business, the Group currently has no plan to further invest in this segment, unless suitable business opportunities arise in the future.

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

**Updates on matters relating to the De-consolidation**

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

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

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

**The Internal Control Review**

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

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

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, none of the Directors and chief executive of the Company had an interest or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules or the code of conduct regarding securities transactions by Directors adopted by the Company.

**Share Options**

The Company adopts and administers 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, and was terminated and replaced by a share option scheme approved by the Shareholders on 9 April 2002, which in turn was terminated and replaced by a new share option scheme approved by the Shareholders on 5 August 2011 (the "2011 Scheme").

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

***2011 Scheme***

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

The 2011 Scheme became effective for a period of 10 years commencing on 10 August 2011. Eligible participants of the 2011 Scheme include all Directors and employees of the Group, suppliers, customers, consultants who provided services to the Group, shareholders of the subsidiaries of the Group and joint venture partners. Under the 2011 Scheme, the Directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company at the highest of (i) the closing price of shares of the Company on GEM as stated in the Stock 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 Stock 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.

An ordinary resolution was passed at the annual general meeting of the Company on 28 September 2016 (the "2016 AGM") to refresh the scheme mandate limit of the 2011 Scheme. The total number of shares of the Company which may be allotted and issued upon exercise of all options to be granted under the 2011 Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the date of the 2016 AGM.

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

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the 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 Shareholders. The 2011 Scheme does not provide for any minimum period for holding of options or any performance target before exercise of options.

The following Director was granted share options under the 2011 Scheme to subscribe for shares of the Company, details of which are as follows:

| | Number of shares to be subscribed for by outstanding options*** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Name or category of participant | 1 April 2017 | Transferred during the period | Exercised during the period | Lapsed during the period | At 31 December 2017 | At Date of share options granted* | Exercise period of share options granted | Exercise price of share options granted** |
| | | | | | | | | *HK$ per share* |
| **Employees of the Group** | | | | | | | | |
| In aggregate | 2,700,000 | — | (2,700,000) | — | — | 5 December 2013 | 5 December 2013 to 20 June 2017 | 0.165 |
| | 2,700,000 | — | (2,700,000) | — | — | | | |

* The time of acceptance of the share options was within 21 days from the options offer date. The share options granted are subject to certain vesting period and vary for each category of participant as specified under the respective share option schemes.

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

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, shareholders (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

**Long positions in the ordinary shares or underlying shares of the Company**

| **Name of shareholder** | *Notes* | **Capacity and nature of interest** | **Number of ordinary shares or underlying shares** | **Percentage of the Company's issued share capital** *Note (2)* |
|---|---|---|---|---|
| Brilliant Chapter Limited | *(1)* | Beneficially owned | 757,506,294 | 62.55% |
| Mr. Zhang Chun Hua | *(1)* | Interest of a controlled corporation | 757,506,294 | 62.55% |
| Mr. Pei Chuang | | Beneficially owned | 70,000,000 | 5.78% |

*Notes:*

(1) Brilliant Chapter Limited is a limited liability company incorporated in the Republic of Seychelles and its issued share capital is beneficially owned as to 80% by Mr. Zhang Chun Hua and as to 20% by Source Mega Limited, a company incorporated in the Republic of Seychelles (as a nominee of Ms. Zhang Chun Ping). Mr. Zhang Chun Hua is the brother of Ms. Zhang Chun Ping.

(2) Based on 1,210,963,725 shares of the Company in issue as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## CHANGE OF CONTROLLING SHAREHOLDER AND UNCONDITIONAL MANDATORY CASH OFFER

The Company was informed that on 28 November 2017, Brilliant Chapter Limited (the "Offeror"), a limited liability company incorporated in the Republic of Seychelles, acquired an aggregate of 757,506,294 shares in the Company at a price of HK$0.28 per share, representing approximately 62.55% of the total issued share capital of the Company. Upon such acquisition, the Offeror became the controlling shareholder of the Company.

Pursuant to Rule 26.1 of the Takeovers Code, Eternal Pearl Securities Limited has made an unconditional mandatory cash offer for and on behalf of the Offeror to acquire all the shares of the Company in issue, other than those already owned by the Offeror or parties acting in concert with it at a price of HK$0.28 per share (the "Offer").

The Offer was closed at 4:00 p.m. on Friday, 2 February 2018. The Offeror had received valid acceptances in respect of a total of 64,813,000 shares under the Offer, representing approximately 5.35% of the total number of shares in issue as at 2 February 2018. Details of the above are set out in the composite document of the Company and the Offeror dated 12 January 2018 and the joint announcements of the Company and the Offeror dated 1 December 2017 and 2 February 2018.

## COMPETING INTERESTS

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

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

During the nine months ended 31 December 2017, the Company has issued and allotted 2,700,000 new shares at par value of HK$0.1 per share, as a result of exercise of share options by the share option holders of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

## DIRECTORS' SECURITIES TRANSACTIONS

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

## CORPORATE GOVERNANCE CODE

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

With respect to the deviation, the CG Code provision A.2.1 provides that the roles of the chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

During the period under review, the Company has not appointed a CEO and the Chairman, Mr. Xu Zhigang, assumed the post of acting CEO. The Board considers that the current arrangement is adequate in view of the size and complexity of the Group's operations. The Board will, nonetheless, review the business growth of the Group and locate suitable candidate to fill the vacancy of the CEO when considered essential and will continue setting out a clear division of responsibilities at the board level and the day-to-day management team to ensure a proper balance of power and authority within the Company.

## AUDIT COMMITTEE

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

As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors, namely Mr. Poon Yan Wai (Chairman of the Audit Committee), Mr. Xu Xiaoping and Mr. Lam Kwok Cheong and one non-executive Director, namely Mr. Chen Weixi.

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

**REMUNERATION COMMITTEE**

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

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

**NOMINATION COMMITTEE**

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

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

By Order of the Board
**Prosten Health Holdings Limited**
**Xu Zhigang**
*Chairman*

Hong Kong, 9 February 2018

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

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

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