

CHINA BRILLIANT GLOBAL LIMITED

朗華國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8026)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2018

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This announcement, for which the directors (the “Directors”) of China Brilliant Global 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 Stock 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 three months ended 30 June 2018 amounted to approximately HK\$21,944,000, representing an increase of approximately 38.6% as compared to the corresponding period in the previous financial year.
- The Group's gross profit for the three months ended 30 June 2018 was approximately HK\$2,214,000, increasing by approximately HK\$530,000 as compared with the same period of last financial year.
- Loss attributable to owners of the Company for the three months ended 30 June 2018 amounted to approximately HK\$5,537,000 (for the three months ended 30 June 2017: profit HK\$22,792,000).
- The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2018.

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 three months ended 30 June 2018 together with the comparative unaudited figures for the three months ended 30 June 2017 as follows:

	<i>Notes</i>	For the three months ended 30 June	
		2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
Revenue	3	21,944	15,829
Cost of sales		<u>(19,730)</u>	<u>(14,145)</u>
Gross profit		2,214	1,684
Selling expenses		(623)	(1,047)
Administrative expenses		(7,109)	(5,422)
Other income/(expenses)		(32)	(38)
Share of profit of associate		13	–
Gain on disposal of subsidiaries	4	<u>–</u>	<u>27,615</u>
(Loss)/profit before tax		(5,537)	22,792
Income tax expense	5	<u>–</u>	<u>–</u>
(Loss)/profit for the period		(5,537)	22,792
Other comprehensive (expense)/income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(1,819)</u>	<u>160</u>
Total comprehensive (expense)/income for the period		<u>(7,356)</u>	<u>22,952</u>
(Loss)/profit for the period attributable to:			
– Owners of the Company		(7,356)	22,801
– Non-controlling interest		<u>–</u>	<u>(9)</u>
		<u>(7,356)</u>	<u>22,792</u>

	<i>Notes</i>	For the three months ended 30 June	
		2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
Total comprehensive (expense)/income for the period attributable to:			
– Owners of the Company		(7,356)	22,961
– Non-controlling interest		–	(9)
		<u>(7,356)</u>	<u>22,952</u>
(Loss)/profit per share attributable to owners of the Company	6		
Basic		<u>HK(0.54) cents</u>	<u>HK 1.89 cents</u>
Diluted		<u>HK(0.54) cents</u>	<u>HK 1.89 cents</u>

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 Flat B, 9/F., 9 Des Voeux Road West, Hong Kong. The Company's shares are listed on the GEM.

With effect from 31 May 2018, the name of the Company was changed from Prosten Health Holdings Limited to China Brilliant Global Limited.

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 Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards 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 available-for-sale financial assets and financial assets at fair value through profit or loss which have been measured at fair value. 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 People's Republic of China (the "PRC") with Renminbi ("RMB") as their functional currency.

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 or revised HKFRSs, which are newly effective for the period under review. The adoption of these new or revised HKFRSs had no change in significant accounting policies and no significant effect on the financial results of the current period. There is no prior period adjustment required.

The Group has not applied or early adopted the new or revised HKFRSs (including their consequential amendments) which are relevant to the Group that have been issued but not yet effective in the preparation of these unaudited consolidated results. The Group is currently assessing the impact of these new or revised HKFRSs upon their initial application but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position. It is anticipated that all of the pronouncements relevant to the Group will be adopted in the Group's accounting policy in the accounting periods when they first become effective.

The unaudited consolidated results have been reviewed by the audit committee of the Company ("Audit Committee").

3. REVENUE AND SEGMENTAL INFORMATION

Revenue represents the net invoiced value of good sold and services rendered during the period under review.

The Group's operating activities are currently attributable to three operating segments focusing on trading and distributing of pharmaceutical and healthcare products ("Pharmaceutical Business"), trading and retailing of jewelry ("Jewelry Business") and money lending ("Lending 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 makers of the Company). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. The details of operating and reportable segments of the Group are as follows:

- Pharmaceutical Business
- Jewelry Business
- Lending Business

For the three months ended 30 June 2018	Pharmaceutical Business HK\$'000	Jewelry Business HK\$'000	Lending Business HK\$'000	Consolidation HK\$'000
REVENUE				
External sales	<u>11,974</u>	<u>9,549</u>	<u>421</u>	<u>21,944</u>
RESULTS				
Segment results (loss)/profit	(1,302)	(74)	74	(1,302)
Unallocated income				–
Unallocated expenses				<u>(4,235)</u>
Loss before tax				<u>(5,537)</u>
For the three months ended 30 June 2017	Pharmaceutical Business HK\$'000	Jewelry Business HK\$'000	Lending Business HK\$'000	Consolidation HK\$'000
REVENUE				
External sales	<u>1,970</u>	<u>13,100</u>	<u>759</u>	<u>15,829</u>
RESULTS				
Segment results (loss)/profit	(2,181)	(514)	273	(2,422)
Unallocated income				27,615
Unallocated expenses				<u>(2,401)</u>
Profit before tax				<u>22,792</u>

4. GAIN ON DISPOSAL OF SUBSIDIARIES

On 5 June 2017, the Company disposed the entire issued share capital of Prosten (BVI) Limited (together with relevant shareholders loan), a direct wholly-owned subsidiary of the Company and subsidiaries of which were principally engaged in wireless value-added service business. The Company received a total consideration of HK\$4,600,000 for the disposal. As at the 5 June 2017, Prosten (BVI) Limited and its subsidiaries (the “Prosten BVI Group”) has unaudited net liability of approximately HK\$30,165,000 and the shareholder loan was approximately HK\$8,151,000. The Company recorded a gain from disposal of the Prosten BVI Group of approximately HK\$26,614,000 which was subject to final audit.

On 15 June 2017, the Company disposed the entire issued shares of Prosten Wealth Investment Limited (“Prosten Wealth”, together with its subsidiary “Prosten Wealth Group”), an indirect wholly-owned subsidiary of the Company. Prosten Wealth Group held a valid money lending license in Hong Kong and as at the date of disposal, it had not commenced business. The Group received a total consideration of approximately HK\$1,480,000 for the disposal. As at 15 June 2017, except for cash at bank of approximately HK\$402,000, Prosten Wealth did not have other material assets or liabilities. The Group recorded a gain from disposal of the Prosten Wealth Group of approximately HK\$1,000,000 which is subject to final audit.

5. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the three months ended 30 June 2017. Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the three months ended 30 June 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.

	For the three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong:		
Charge for the period	—	—
Total tax charged for the period	<u>—</u>	<u>—</u>

6. (LOSS)/PROFIT PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic (loss)/profit per share amount is based on the unaudited consolidated loss for the three months ended 30 June 2018 attributable to owners of the Company of approximately HK\$7,356,000 (for the three months ended 30 June 2017: profit HK\$22,801,000), and the weighted average number of ordinary shares of approximately 1,371,842,846 (weighted average number for the three months ended 30 June 2017: 1,208,590,099) in issue during the period under review.

No diluted (loss)/profit per share is calculated as there were no dilutive potential equity shares as at 30 June 2018 and 30 June 2017. Hence, the basic and diluted (loss)/profit per share were the same for both years.

7. RESERVES

	Share premium account <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i> <i>(Note a)</i>	Available- for-sale financial assets equity reserve <i>HK\$'000</i> <i>(Note b)</i>	Foreign currency translation reserve <i>HK\$'000</i> <i>(Note c)</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2018 (audited)	480,089	1	–	2,855	–	(516,191)	(33,246)
Loss for the period (unaudited)	–	–	–	–	–	(5,537)	(5,537)
Exchange difference on translation of foreign operations (unaudited)	–	–	–	(1,819)	–	–	(1,819)
Total comprehensive income for the period (unaudited)	–	–	–	(1,819)	–	(5,537)	(7,356)
Placing of shares (unaudited)	40,800	–	–	–	–	–	40,800
At 30 June 2018 (unaudited)	<u>520,889</u>	<u>1</u>	<u>–</u>	<u>1,036</u>	<u>–</u>	<u>(521,728)</u>	<u>198</u>
At 1 April 2017 (audited)	479,598	3,349	1,583	11,922	316	(542,868)	(46,100)
Profit for the period (unaudited)	–	–	–	–	–	22,801	22,801
Exchange difference on translation of foreign operations (unaudited)	–	–	–	160	–	–	160
Total comprehensive expense for the period (unaudited)	–	–	–	160	–	22,801	22,961
Exercise of share options (unaudited)	489	–	–	–	(316)	–	173
Disposal of subsidiaries (unaudited)	–	(3,349)	–	(14,491)	–	16,887	(953)
At 30 June 2017 (unaudited)	<u>480,087</u>	<u>–</u>	<u>1,583</u>	<u>(2,409)</u>	<u>–</u>	<u>(503,180)</u>	<u>(23,919)</u>

Notes:

(a) Statutory reserve fund

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

(b) 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 of the foreign operations.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 June 2018 (for the three months ended 30 June 2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

The Group's revenue for the three months ended 30 June 2018 amounted to approximately HK\$21,944,000, representing an increase of approximately 38.6% as compared to the corresponding period of last financial year. The increase was mainly attributable to the increase in revenue from the Group's Pharmaceutical Business as the medical distribution channel had become comprehensive during the period under review.

Cost of sales and gross profit margin

Cost of sales of the Group increased from approximately HK\$14,145,000 for the three months ended 30 June 2017 to approximately HK\$19,730,000 for the three months ended 30 June 2018, which was in line with the increase in sales for the period.

Gain on disposal of subsidiaries

Please refer to note 4 to the unaudited consolidated results for details of gain on disposal of subsidiaries.

Expenses

Selling expenses decreased by approximately HK\$424,000 from approximately HK\$1,047,000 for the three months ended 30 June 2017 to approximately HK\$623,000 for the three months ended 30 June 2018. The decrease was mainly due to reduction of the marketing and development costs of the Pharmaceutical Business after setting up the medical distribution channel.

Administrative expenses increased by approximately HK\$1,687,000, from approximately HK\$5,422,000 for the three months ended 30 June 2017 to approximately HK\$7,109,000 for the three months ended 30 June 2018. Such increase was mainly due to placing expense incurred during the period under review.

Total equity

As at 30 June 2018, the Group has a total equity amounted to approximately HK\$145,296,000 (as at 31 March 2018: HK\$87,850,000) and net current assets amounted to approximately HK\$99,144,000 (as at 31 March 2018: HK\$54,029,000).

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 30 June 2018, total cash and cash equivalents of the Group amounted to approximately HK\$68,080,000 (as at 31 March 2018: HK\$10,341,000). As at 30 June 2018 and 31 March 2018, the Group has not borrowed any 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 Renminbi ("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 RMB and Hong Kong dollar. As at 30 June 2018, no related hedges were made by the Group (as at 31 March 2018: nil).

Contingent liabilities

As at 30 June 2018, the Group had no material contingent liabilities (as at 31 March 2018: nil).

Significant investments, acquisitions or disposals

Except for the acquisition of 40% of the equity interest in Darling Paganini Holding Limited and its subsidiaries which will become an associate of the Company at a total consideration of HK\$10,000,000, the Group does not have any material acquisition or disposal during the three months ended 30 June 2018.

Capital structure

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

Pursuant to a placing agreement dated 17 April 2018, 240,000,000 ordinary shares of HK\$0.10 each of the Company were issued under the general mandate at the price of HK\$0.27 per share for cash to not less than six placees who and whose beneficial owners shall be independent third parties (the "Placing").

The total of 240,000,000 placing shares represents approximately 19.82% of the Company's issued share capital before the Placing (1,210,963,725 ordinary shares) and approximately 16.54% of its enlarged issued share capital of the Company after the Placing (1,450,963,725 ordinary shares). The net proceeds from the Placing was approximately HK\$63,713,000. As disclosed in the announcements of the Company dated 17 April 2018 and 2 May 2018, the Company intended to use the whole fund for the expansion of the Group's trading and jewelry business. The Placing was completed on 2 May 2018.

The Group's capital structure is sound with healthy working capital management. As at 30 June 2018, the Group's total equity amounted to approximately HK\$145,296,000, representing a increase of approximately 18.5% compared with that as at 31 March 2018 (31 March 2018: HK\$87,850,000). As at 30 June 2018, the Group's cash and cash equivalents totaled approximately HK\$68,080,000 (as at 31 March 2018: HK\$10,341,000). The current ratio (note 1) and the quick ratio (note 2) of the Group as at 30 June 2018 was 4.51 (as at 31 March 2018: 3.03) and 3.91 (as at 31 March 2018: 2.47) respectively. The Group was in net cash position as at 30 June 2018 (gearing ratio (note 3) as at 31 March 2018: Net cash position).

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

Note: (1) Current Ratio = Current Assets \div Current Liabilities

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

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

BUSINESS REVIEW AND OUTLOOK

Pharmaceutical Business

The Group commenced its Pharmaceutical Business in 2016 and continued to develop this business in the period under review. The Group has focused its resources on 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 Group had 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 (mainly the areas of Zhanjiang and Maoming in Guangdong Province, including Zhanjiang city, Lianjiang, Wuchuan, Suixi County, Xuwen County, Maoming city, Dianbai District, Huazhou, Xinyi and Gaozhou), 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.

In order to distribute pharmaceuticals and pharmaceutical consumables to hospitals, the Group shall first be approved by the hospitals as their pharmaceutical supplier. Then, in accordance with the medication demand of the hospitals, the Group will contact pharmaceutical manufacturers to obtain the corresponding distribution qualifications. Subject to the confirmations on specific species, specifications and quantities of medication used by the hospitals, the hospitals, the Group and the pharmaceutical manufacturers will enter into three-party sales and purchase contracts, pursuant to which, the Group will arrange specific purchase and distribution work subsequently. The procedure to provide pharmaceuticals and healthcare products to the pharmaceutical companies and chain pharmacies as a supplier is relatively simple. The Group is mainly required to agree on the sales terms with the target customers before entering into sales contracts and sales transactions. 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. The pharmaceuticals and healthcare products supplied and sold by the Group include (but not limited to) Jianwei Xiaoshi Pian (健胃消食片), Heparin Sodium Injection (肝素鈉注射液), Propofol Injection (丙泊酚注射液), Shuganning Injection (舒肝寧注射液), Pudilan Xiaoyan Pian (蒲地藍消炎片), Pudilan Xiaoyan Pian Koufuye (蒲地藍消炎片口服液), Oxytocin Nasal Spray (縮宮素鼻噴霧劑), Peramivir Sodium Chloride Injection (Glass Bottle) (帕拉米韋氯化鈉注射液(玻璃瓶)), Terbutaline Sulfate and Sodium Chloride Injection (Glass Bottle) (硫酸特布他林氯化鈉注射液(玻璃瓶)) and Cefazolin Sodium Pentahydrate for Injection (注射用五水頭孢唑林鈉).

The revenue from the Pharmaceutical Business increase by approximately HK\$10,004,000 from approximately HK\$1,970,000 for the three months ended 30 June 2017 to approximately HK\$11,974,000 for the three months ended 30 June 2018. Such increase was mainly due to the medical distribution channel had become comprehensive during the period under review.

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 Jewelry brand. The store is required to select goods from the suppliers designated by Luk Fook Jewelry. 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 revenue from the Jewelry Business decreased by approximately HK\$3,551,000 from approximately HK\$13,100,000 for the three months ended 30 June 2017 to approximately HK\$9,549,000 for the three months ended 30 June 2018. The decrease in revenue from the Jewelry Business for the period under review was mainly because of the decrease in wholesale of golden jewelry products in the PRC.

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 was one major outstanding loan receivables with the Group as at 30 June 2018. It was 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 agreements entered into between SZ Finance and the borrower, Ms. Ding Pingying, on 9 February 2018, the unsecured loan was granted to and drawn down by Ms. Ding Pingying on 9 February 2018. The loan was in the principal amount of HK\$11,000,000 and was bearing an interest at a rate of 12% per annum for a term of six months. The final repayment date of the loan is 8 August 2018 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.

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.

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

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, the interests and short positions of the Directors and chief executive in the shares and 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”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they 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 which were, pursuant to the code of conduct regarding securities transactions by Directors adopted by the Company, notified to the Company and the Stock Exchange, were as follows:

Long positions in the ordinary shares of the Company

Name of Director	<i>Notes</i>	Capacity and nature of interest	Number of ordinary shares	Percentage of the Company’s issued share capital <i>Note (2)</i>
Mr. Zhang Chunhua	(1)	Interest of a controlled corporation	822,319,294	56.67%

Notes:

- (1) 822,319,294 shares of the Company are held by Brilliant Chapter Limited and its entire issued share capital is held as to 80% by Mr. Zhang Chunhua and as to the remaining 20% by Source Mega Limited, a company incorporated in the Republic of Seychelles. The directors of Brilliant Chapter Limited are Mr. Zhang Chunhua and Ms. Zhang Chunping and the sole director of Source Mega Limited is Ms. Zhang Chunping. Ms. Zhang Chunping is the executive director of the Company. Mr. Zhang Chunhua is the brother of Ms. Zhang Chunping. By virtue of the SFO, Mr. Zhang Chunhua is deemed to be interested in 822,319,294 shares of the Company held by Brilliant Chapter Limited.
- (2) Based on 1,450,963,725 shares in the Company in issue as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, none of the Directors and chief executive of the Company had an interest or short position in the ordinary shares or underlying shares of the Company or any of its associated corporations that was notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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 share option scheme was approved by the Shareholders on 5 August 2011 and its scheme mandate limit was refreshed by an ordinary resolution at the annual general meeting of the Company on 28 September 2016 (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 Directors were granted share options under the 2011 Scheme to subscribe for shares of the Company, details of which are as follows:

Name or category of participant	Number of shares to be subscribed for by outstanding options					Date of share options granted*	Exercise period of share options granted	Exercise price of share options granted** HK\$ per share
	At 1 April 2018	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2018			
Directors								
Mr. Zhang Chunhua	-	13,800,000	-	-	13,800,000	27 June 2018	27 June 2019 to 26 June 2029	0.59
Ms. Zhang Chunping	-	13,800,000	-	-	13,800,000	27 June 2018	27 June 2019 to 26 June 2029	0.59
Ms. Chung Elizabeth Ching Yee	-	13,800,000	-	-	13,800,000	27 June 2018	27 June 2019 to 26 June 2029	0.59
Mr. Xu Zhigang	-	300,000	-	-	300,000	27 June 2018	27 June 2019 to 26 June 2029	0.59
Ms. Chan Mei Yan Hidy	-	300,000	-	-	300,000	27 June 2018	27 June 2019 to 26 June 2029	0.59
Mr. Kwan Chi Hong	-	300,000	-	-	300,000	27 June 2018	27 June 2019 to 26 June 2029	0.59
Ms. Lee Kwun Ling, May Jean	-	300,000	-	-	300,000	27 June 2018	27 June 2019 to 26 June 2029	0.59
	-	42,600,000	-	-	42,600,000			
Employees of the Group								
In aggregate	-	17,900,000	-	-	17,900,000	27 June 2018	27 June 2019 to 26 June 2029	0.59

Name or category of participant	Number of shares to be subscribed for by outstanding options					Date of share options granted*	Exercise period of share options granted	Exercise price of share options granted** HK\$ per share
	At 1 April 2018	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2018			
Others								
In aggregate	-	18,100,000	-	-	18,100,000	27 June 2018	27 June 2019 to 26 June 2029	0.59
	<u>-</u>	<u>18,100,000</u>	<u>-</u>	<u>-</u>	<u>18,100,000</u>			
	-	78,600,000	-	-	78,600,000			
	<u>-</u>	<u>78,600,000</u>	<u>-</u>	<u>-</u>	<u>78,600,000</u>			

* 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 30 June 2018, 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	822,319,294	56.67%
Mr. ZHANG Chunhua	(1)	Interest of a controlled corporation	822,319,294	56.67%

Notes:

(1) Brilliant Chapter Limited is a limited liability company incorporated in the Republic of Seychelles, the entire issued share capital of which is beneficially owned as to 80% by Mr. Zhang Chunhua and as to 20% by Source Mega Limited, a company incorporated in the Republic of Seychelles. The directors of Brilliant Chapter Limited are Mr. Zhang Chunhua and Ms. Zhang Chunping and the sole director of Source Mega Limited is Ms. Zhang Chunping. Both of them are the Directors of the Company.

(2) Based on 1,450,963,725 shares in the Company in issue as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, 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.

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 three months ended 30 June 2018, 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 three months ended 30 June 2018.

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.

Under the CG Code provision A.2.1, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing.

During the period under review until 18 May 2018, the Company has not appointed Chief Executive Officer. The Chairman was responsible for ensuring that the Board functions effectively and smoothly. In doing so, the Chairman ensured that good corporate governance practices were adhered to and proper procedures were established and followed, and that all Directors were properly briefed and received all relevant information prior to each Board meeting. The Chairman was also responsible for overseeing the implementation of corporate strategies of the Group. The Board considers that the current arrangement is adequate in view of the size and complexity of the Group's operations. The Board will, nonetheless, review the business growth of the Group and locate suitable candidate to fill the vacancy of the chief executive officer when considered essential and will continue setting out a clear division of responsibilities at the board level and the day-to-day management team to ensure a proper balance of power and authority within the Company.

Since 18 May 2018, the Company has appointed the Chief Executive Officer is Ms. Chung, Elizabeth Ching Yee. The role of the Chairman and Chief Executive Officer are separate and exercised by different individual which complies with Rule A.2.1.

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 Ms. Chan Mei Yan Hidy (Chairman of the Audit Committee), Mr. Kwan Chi Hong and Ms. Lee Kwun Ling, May Jean.

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. Kwan Chi Hong (Chairman of the Remuneration Committee) and Ms. Lee Kwun Ling, May Jean, and one executive Director, namely Ms. Chung, Elizabeth Ching Yee.

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 two independent non-executive Directors, namely Ms. Lee Kwun Ling, May Jean (Chairman of the Nomination Committee), Ms. Chan Mei Yan Hidy and one executive Director, namely Ms. Chung, Elizabeth Ching Yee.

By Order of the Board
China Brilliant Global Limited
Zhang Chunhua
Chairman and Executive Director

Hong Kong, 9 August 2018

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

Mr. Zhang Chunhua (Executive Director (Chairman))

Ms. Chung Elizabeth Ching Yee (Executive Director and Chief Executive Officer)

Ms. Zhang Chunping (Executive Director)

Mr. Xu Zhigang (Non-executive Director)

Ms. Chan Mei Yan Hidy (Independent Non-executive Director)

Mr. Kwan Chi Hong (Independent Non-executive Director)

Ms. Lee Kwun Ling, May Jean (Independent Non-executive Director)

This announcement will remain on the Stock Exchange's website at www.hkexnews.hk and the GEM website at www.hkgem.com and in the case of this announcement, on the "Latest Company Announcements" page for at least seven days from the date of its posting. This announcement will also be published on the Company's website at www.cbg.com.hk.