



PROSTEN HEALTH HOLDINGS LIMITED

長達健康控股有限公司

(formerly known as Prosten Technology Holdings Limited 長達科技控股有限公司)*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8026)

INTERIM RESULTS ANNOUNCEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

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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.

** For identification purpose only*

HIGHLIGHTS

- Revenue of the Group for the six months ended 30 September 2016 amounted to approximately HK\$8.2 million, representing an increase of approximately HK\$4.0 million as compared to the corresponding period of the previous financial year.
- The Group's gross profit for the six months ended 30 September 2016 was approximately HK\$2.9 million, decreased by approximately HK\$0.6 million as compared with the same period of the last financial year.
- Loss attributable to ordinary shareholders of the Company for the six months ended 30 September 2016 amounted to approximately HK\$9.3 million, which represented an increase in loss of approximately HK\$0.7 million as compared with the same period of the last financial year.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months and three months ended 30 September 2016

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months and three months ended 30 September 2016 together with the unaudited comparative figures for the corresponding periods in 2015 as follows:

| | | Six months ended 30 September | | Three months ended 30 September | |
|---|--------------------|----------------------------------|--------------------|------------------------------------|---------------|
| <i>Notes</i> | 2016 | 2015 | 2016 | 2015 | |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | |
| Revenue | 4 | 8,215 | 4,235 | 3,837 | 1,986 |
| Cost of sales | | (5,357) | (738) | (2,325) | (382) |
| Gross profit | | 2,858 | 3,497 | 1,512 | 1,604 |
| Other income and gains | | 195 | 412 | 4 | 398 |
| Selling expenses | | (1,536) | (1,546) | (911) | (617) |
| Administrative expenses | | (10,706) | (10,759) | (5,961) | (4,772) |
| Other expenses | | (67) | (229) | (66) | (2) |
| Finance costs | | — | (10) | — | — |
| Loss before tax | 5 | (9,256) | (8,635) | (5,422) | (3,389) |
| Income tax expense | 6 | (33) | — | — | — |
| Loss attributable to ordinary shareholders of the Company | | (9,289) | (8,635) | (5,422) | (3,389) |
| Other comprehensive income/(expense): | | | | | |
| Items that may be reclassified subsequently to profit or loss: | | | | | |
| Exchange differences on translation of foreign operations | | (659) | 332 | (26) | 332 |
| Total comprehensive expense attributable to ordinary shareholders of the Company | | (9,948) | (8,303) | (5,448) | (3,057) |
| Loss per share | 7 | | | | |
| Basic | | (HK0.8 cents) | (HK1.0 cents) | (HK0.5 cents) | (HK0.4 cents) |
| Diluted | | (HK0.8 cents) | (HK1.0 cents) | (HK0.5 cents) | (HK0.4 cents) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

| | 30 September | 31 March |
|--|---------------------|------------------|
| | 2016 | 2016 |
| <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 7,504 | 2,067 |
| Long-term prepaid rentals | 952 | — |
| Deposits | 77 | 46 |
| Available-for-sale financial assets | 22,179 | 22,179 |
| Goodwill | 5,092 | 3,908 |
| | 35,804 | 28,200 |
| CURRENT ASSETS | | |
| Inventories | 13,435 | 15,266 |
| Current portion of long-term prepaid rentals | 80 | — |
| Trade receivables | 8 25,566 | 26,862 |
| Prepayments, deposits and other receivables | 8,192 | 4,130 |
| Financial asset at fair value through profit or loss | 1,099 | — |
| Cash and cash equivalents | 15,533 | 28,761 |
| | 63,905 | 75,019 |
| CURRENT LIABILITIES | | |
| Trade payables | 9 3,623 | 2,703 |
| Other payables and accruals | 14,420 | 8,336 |
| Due to non-executive Directors | 4,966 | 5,425 |
| Due to an ultimate holding company | 142 | 142 |
| Due to de-consolidated subsidiaries | 15,300 | 15,300 |
| Tax payable | 71 | 178 |
| | 38,522 | 32,084 |

| | 30 September 2016 <i>HK\$'000</i> (Unaudited) | 31 March 2016 <i>HK\$'000</i> (Audited) |
|--|---|---|
| NET CURRENT ASSETS | <u>25,383</u> | <u>42,935</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | <u>61,187</u> | <u>71,135</u> |
| NON-CURRENT LIABILITY | | |
| Deferred tax liability | <u>181</u> | <u>181</u> |
| NET ASSETS | <u>61,006</u> | <u>70,954</u> |
| Equity attributable to ordinary shareholders of the Company | | |
| Issued capital | 109,536 | 109,536 |
| Reserves | (48,530) | (38,582) |
| TOTAL EQUITY | <u>61,006</u> | <u>70,954</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

| | Attributable to equity holders of the Company | | | | | | | | |
|---|---|--|--|--|--|---|---------------------------------------|---------------------------------------|---------------------------------|
| | Share capital <i>HK\$'000</i> | 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> | Reserves sub-total <i>HK\$'000</i> | Total equity <i>HK\$'000</i> |
| As at 1 April 2016 (audited) | 109,536 | 455,438 | 3,349 | 6,760 | 14,766 | 316 | (519,211) | (38,582) | 70,954 |
| Loss for the period (unaudited) | — | — | — | — | — | — | (9,289) | (9,289) | (9,289) |
| Other comprehensive expense for the period (unaudited): | | | | | | | | | |
| Exchange differences on translation of foreign operations (unaudited) | — | — | — | — | (659) | — | — | (659) | (659) |
| Total comprehensive expense for the period (unaudited) | — | — | — | — | (659) | — | (9,289) | (9,948) | (9,948) |
| As at 30 September 2016 (unaudited) | <u>109,536</u> | <u>455,438</u> | <u>3,349</u> | <u>6,760</u> | <u>14,107</u> | <u>316</u> | <u>(528,500)</u> | <u>(48,530)</u> | <u>61,006</u> |

For the six months ended 30 September 2015

| | Attributable to equity holders of the Company | | | | | | | |
|---|---|--|--|--|---|---------------------------------------|---------------------------------------|---------------------------------|
| | Share capital <i>HK\$'000</i> | Share premium account <i>HK\$'000</i> | Statutory reserve fund <i>HK\$'000</i> <i>(note a)</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> | Reserves sub-total <i>HK\$'000</i> | Total equity <i>HK\$'000</i> |
| As at 1 April 2015 (audited) | 79,610 | 378,628 | 3,349 | 14,787 | 611 | (487,852) | (90,477) | (10,867) |
| Loss for the period (unaudited) | — | — | — | — | — | (8,635) | (8,635) | (8,635) |
| Other comprehensive income/(expense) for the period (unaudited): | | | | | | | | |
| Exchange differences on translation of foreign operations (unaudited) | — | — | — | 332 | — | — | 332 | 332 |
| Total comprehensive income/(expense) for the period (unaudited) | — | — | — | 332 | — | (8,635) | (8,303) | (8,303) |
| Equity-settled share option arrangements (unaudited) | — | — | — | — | 79 | — | 79 | 79 |
| Exercise of share options (unaudited) | 314 | 704 | — | — | (401) | — | 303 | 617 |
| Placement of new shares (unaudited) | 13,627 | 44,969 | — | — | — | — | 44,969 | 58,596 |
| Expenses on issue of new shares (unaudited) | — | (1,361) | — | — | — | — | (1,361) | (1,361) |
| As at 30 September 2015 (unaudited) | <u>93,551</u> | <u>422,940</u> | <u>3,349</u> | <u>15,119</u> | <u>289</u> | <u>(496,487)</u> | <u>(54,790)</u> | <u>38,761</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 or de-consolidation the foreign operations.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

| | Six months ended | |
|--|------------------|-----------------|
| | 30 September | |
| | 2016 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| Net cash flows used in operating activities | (2,286) | (6,631) |
| Net cash flows used in investing activities | (10,283) | (3,338) |
| Net cash flows generated from financing activities | — | 60,583 |
| Net (decrease)/increase in cash and cash equivalents | (12,569) | 50,614 |
| Cash and cash equivalents at beginning of period | 28,761 | 1,778 |
| Effect of foreign exchange rate changes, net | (659) | 332 |
| Cash and cash equivalents at end of period | <u>15,533</u> | <u>52,724</u> |
| Analysis of cash and cash equivalents | | |
| Cash and bank balances | <u>15,533</u> | <u>52,724</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 Unit 905, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the GEM.

With effect from 21 October 2016, the name of the Company was changed from Prosten Technology Holdings Limited to Prosten Health Holdings 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 ("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 which has 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 PRC with Renminbi 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 2016, 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 significant 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 or early adopted the new or revised HKFRSs (including their consequential amendments) which are relevant to the Group that have been issued but are not yet effective in the preparation of these unaudited consolidated results. The Group is in the process of assessing the impact of these new or revised HKFRSs upon initial application but is not yet in a position to state whether they would have any significant impact on the Group's results of operation and financial position. It is anticipated that all of the pronouncements will be adopted in the Group's accounting policies in the accounting period when they first become effective.

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

3. OPERATING SEGMENT INFORMATION

The Group's operating activities are currently attributable to four operating segments focusing on the wireless value-added services, trading and retailing of jewelry, lending business and pharmaceutical and healthcare products business (continuing operation). 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:

- Wireless valued-added services
- Trading and retailing of jewelry
- Lending business
- Pharmaceutical and healthcare products

The pharmaceutical and healthcare products business was introduced to the Group in the first quarter of the year ending 31 March 2017. The following is an analysis of the Group's revenue and results by operating segments:

| For the six months ended 30 September 2016 | Wireless valued-added services <i>HK\$'000</i> (Unaudited) | Trading and retailing of jewelry <i>HK\$'000</i> (Unaudited) | Lending business <i>HK\$'000</i> (Unaudited) | Pharmaceutical and healthcare products <i>HK\$'000</i> (Unaudited) | Consolidation <i>HK\$'000</i> (Unaudited) |
|---|--|--|---|---|---|
| REVENUE | | | | | |
| External sales | — | 2,837 | 1,743 | 3,635 | 8,215 |
| RESULTS | | | | | |
| Segment results profit/(loss) | (1,002) | (1,095) | 1,004 | (1,068) | (2,161) |
| Unallocated expenses | | | | | (7,095) |
| Loss before taxation | | | | | (9,256) |

For the six months ended 30 September 2015, the Group had one single operating segment as it was principally engaged in the wireless value-added services and related business which was the basis to allocate resources and assess performance. Hence, no business segment information was presented for the six months ended 30 September 2015. As most of the Group's customers and operations were located in the PRC, no geographical information was presented for the six months period ended 30 September 2016 and 2015.

Segment profit/loss represents the profit/loss earned/suffered 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.

The following is an analysis of the Group's assets and liabilities by operating segment:

| | 30 September | 31 March |
|--|---------------------------|---------------------|
| | 2016 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Audited) |
| SEGMENT ASSETS | | |
| Wireless valued-added services | 4,009 | 2,061 |
| Trading and retailing of jewelry | 14,767 | 32,041 |
| Lending business | 37,509 | 29,098 |
| Pharmaceutical and healthcare products | 40,445 | — |
| Unallocated assets | 2,979 | 40,019 |
| | <hr/> 99,709 <hr/> | <hr/> 103,219 <hr/> |
| SEGMENT LIABILITIES | | |
| Wireless valued-added services | 29,089 | 30,316 |
| Trading and retailing of jewelry | 1,066 | 881 |
| Lending business | 149 | 249 |
| Pharmaceutical and healthcare products | 5,633 | — |
| Unallocated liabilities | 2,766 | 819 |
| | <hr/> 38,703 <hr/> | <hr/> 32,265 <hr/> |

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain prepayments and bank balances and cash held by the respective head offices of continuing operation was allocated to the above components segment; and
- all liabilities are allocated to operating segments other than liabilities of the respective head offices of continuing operation, deferred taxation, and taxation payable from each segment.

Information about major customers

During the six months ended 30 September 2016, revenue of approximately HK\$2,568,000 (2015: HK\$4,235,000), which represents approximately 31% (2015: 100%) of the Group's total sales, was derived from goods sold (2015: services rendered) to two customers (2015: one customer). During the three months ended 30 September 2016, revenue of approximately HK\$1,058,000 (2015: HK\$1,986,000), which represents approximately 28% (2015: 100%) of the Group's sales, was derived from goods sold (2015: services rendered) to one customer. Except as disclosed above, no other single customer contributed 10% or more to the Group's revenue for both the six months and three months ended 30 September 2016 and 2015.

4. REVENUE

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

5. LOSS BEFORE TAX

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

| | Six months ended | | Three months ended | |
|---|-------------------|-------------------|--------------------|-------------------|
| | 30 September | | 30 September | |
| | 2016 | 2015 | 2016 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Depreciation | 507 | 443 | 148 | 220 |
| Minimum lease payments under operating leases in respect of land and buildings | 2,543 | 837 | 1,200 | 404 |
| Employee benefits expense | 4,154 | 6,061 | 1,852 | 2,661 |
| Investment loss/(income) | (174) | (17) | 22 | (9) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

6. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2016. Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 September 2015. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

| | Six months ended | | Three months ended | |
|----------------------------------|------------------|-----------------|--------------------|-----------------|
| | 30 September | 30 September | 30 September | 30 September |
| | 2016 | 2015 | 2016 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Current — Hong Kong: | | | | |
| Charge for the period | <u>33</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total tax charged for the period | <u>33</u> | <u>—</u> | <u>—</u> | <u>—</u> |

7. LOSS PER SHARE

The calculation of basic loss per share amount for the six months ended 30 September 2016 is based on the unaudited loss for the period attributable to equity holders of the Company of approximately HK\$9,289,000 (2015: HK\$8,635,000) and the number of ordinary shares of approximately 1,095,361,000 in issue for the six months ended 30 September 2016 (2015: weighted average of 828,634,000).

The calculation of basic loss per share amount for the three months ended 30 September 2016 is based on the unaudited loss for the period attributable to ordinary shareholders of the Company of approximately HK\$5,422,000 (2015: HK\$3,389,000) and the number of ordinary shares of approximately 1,095,361,000 in issue for the three months ended 30 September 2016 (2015: weighted average of 859,942,000).

As there were no dilutive potential equity shares in existence as at 30 September 2016 and 2015, the basic and diluted loss per share were the same for the periods.

8. TRADE RECEIVABLES

| | 30 September 2016 <i>HK\$'000</i> (Unaudited) | 31 March 2016 <i>HK\$'000</i> (Audited) |
|--------------------------|--|--|
| Trade receivables, gross | 1,412 | 2,275 |
| Impairment allowances | — | (1,491) |
| Loans receivables | <u>24,154</u> | <u>26,078</u> |
| Trade receivables, net | <u><u>25,566</u></u> | <u><u>26,862</u></u> |

The Group's trade receivables, which generally have credit terms of one month to six months (31 March 2016: one month to three months) pursuant to the provisions of the relevant contracts, are recognised based on services rendered and money lent and carried at the original invoice amount, and an estimate of impairment of trade receivables is made and deducted when collection of the full amount is no longer probable. At the end of the reporting period, the Group has significant concentration of credit risk as approximately 52% (31 March 2016: 49%) of the balance represented a receivable from a customer with the largest trade receivable balances at the end of the reporting period. The trade receivables balance as at 30 September 2016 contributed by the five largest customers of the six months ended 30 September 2016 was 98% (31 March 2016: 100%). Concentration of credit risk is managed by control over credit term over individual customer. Trade receivables are unsecured and non-interest-bearing.

An aged analysis of the Group's trade receivables, net of impairment allowances, based on the date of invoices as follows:

| | 30 September 2016 <i>HK\$'000</i> (Unaudited) | 31 March 2016 <i>HK\$'000</i> (Audited) |
|---------------------|--|--|
| Within three months | <u><u>25,566</u></u> | <u><u>26,862</u></u> |

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

9. TRADE PAYABLES

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

| | 30 September 2016 <i>HK\$'000</i> (Unaudited) | 31 March 2016 <i>HK\$'000</i> (Audited) |
|--------------------|---|--|
| Within three month | 920 | — |
| Over 1 year | 2,703 | 2,703 |
| | 3,623 | 2,703 |

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2016 (2015: nil).

REVIEW OF UNAUDITED CONSOLIDATED RESULTS OF THE GROUP

The interim financial information has been prepared on a going concern basis in accordance with HKAS 34, "Interim financial reporting". The Company's auditors have reviewed and reported on the Group's interim financial information for the six months ended 30 September 2016. An extract of the modified review report issued by HLB Hodgson Impey Cheng Limited is as follows:

Basis for qualified conclusion

Opening balances and corresponding figures

The consolidated financial statements of the Group for the year ended 31 March 2016, which form the basis for the corresponding figures presented in the current period's interim financial information, and the audit opinion on the consolidated financial statements of the Group for the year ended 31 March 2016 were disclaimer of the possible effect of the limitation on the scope of the audit in relation to the Group's de-consolidated subsidiaries. Details of the disclaimer audit opinion were set out in the independent auditor's report date 27 June 2016 and included in the Company's annual report for the year ended 31 March 2016.

We were not able to obtain sufficient appropriate audit evidence to enable us to assess the limitation of scope for the year ended 31 March 2016. Any adjustment found to be necessary to the opening balances as at 1 April 2016 may affect the balance of accumulated losses as at 1 April 2016, the Group's results and related disclosures in the notes to the interim financial information of the Group for the six months ended 30 September 2016.

Qualified conclusion

Based on our review, except for the possible effects of the matter described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting".

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

The effect of the prevailing diversification of the Group's business became more obvious. Comparing with the amount recorded in the corresponding period of last year, the total revenue for the six months ended 30 September 2016 increased by about HK\$3,980,000 to about HK\$8,215,000, to which the revenue contributed from the pharmaceutical and healthcare products business was about 44%, the trading and retailing of jewelry business was about 35% and the lending business was about 21%. Such positive effect of diversification could compensate the negative effect arising from the expiry of contracts with telecommunication operator in the PRC during the year ended 31 March 2016. For the six months ended 30 September 2016, the wireless value-added services ("WVAS") did not generate any revenue.

Cost of sales and gross profit margin

As a result of the increase in the total revenue, the cost of sales increased by about HK\$4,619,000 to about HK\$5,357,000 accordingly for the six months ended 30 September 2016. However, the gross profit dropped by about HK\$639,000 to about HK\$2,858,000 for the six months ended 30 September 2016 in view of the decrease in the scale of WVAS, which was deemed to be a relatively high profit margin business than the other traditional businesses. As such, the overall profit margin decreased from about 83% for the six months ended 30 September 2015 to about 35% for the six months ended 30 September 2016.

Other income and gains

Other income and gains decreased by about HK\$217,000, from about HK\$412,000 for the six months ended 30 September 2015 to about HK\$195,000 for the six months ended 30 September 2016.

Expenses

Though the business scale of WVAS diminished, the decrease in its operating expenses was offset by the introduction of new businesses of the trading and retailing of jewelry and the lending business in the second half of the year ended 31 March 2016 and the pharmaceutical and healthcare products business in the first quarter of the year ending 31 March 2017. Upon comparing with the amounts for the three months and six months ended 30 September 2015, there was no material change in the total expenses, including selling expenses, administrative expenses and other expenses, for the three months and six months ended 30 September 2016. The total expenses for the three months and six months ended 30 September 2016 was respectively about HK\$6,938,000 and about HK\$12,309,000 while those for the corresponding periods in 2015 were about HK\$5,391,000 and about HK\$12,534,000 respectively.

Loss for the period

The Company incurred a loss of about HK\$9,289,000 for the six months ended 30 September 2016, slightly more than that for the corresponding period in 2015 by about HK\$654,000 upon comparison as a result of the aforesaid reasons.

Total equity

Due to the loss attributable to ordinary shareholders of the Company for the six months ended 30 September 2016, the total equity of the Group as at 30 September 2016 was decreased to about HK\$61,006,000.

Liquidity and financial resources

The Group continues to adopt a prudent treasury management policy in order to achieve a better cost control and minimize the cost of fund. The Group's treasury activities are centralized and cash is placed in banks as deposits generally.

As at 30 September 2016, the total amount of cash and cash equivalents was about HK\$15,533,000, dropping from about HK\$28,761,000 as at 31 March 2016. Such decrease in cash and cash equivalents was mainly due to the operating loss of the Group during the six months ended 30 September 2016 and the payment of HK\$5,000,000 related to the acquisition of an investment, which has been completed according to the announcement made on 30 August 2016.

No gearing ratio was presented as at 30 September 2016 and 31 March 2016 as the Group did not have any bank and other borrowing as at 30 September 2016 and 31 March 2016.

Treasury policies and foreign currency exchange exposure

Despite of the fact that the trading transactions, monetary assets and liabilities of the Group are mainly denominated in Renminbi and Hong Kong dollar, it is expected that the impact of the foreign exchange exposure to the Group is immaterial. As such, the Group does not make use of any financial instruments or derivatives to protect itself against the volatility associated with transactions in the ordinary course of business, the existing monetary assets and liabilities denominated in foreign currencies. The majority of the Group's operating assets are located in Mainland China and denominated in Renminbi. However, the Directors will closely monitor the situation and take any necessary and possible measures whenever there is a necessity.

As mentioned above, cash is generally deposited at banks in both the PRC and Hong Kong, and mainly denominated in Renminbi and Hong Kong dollar. As at 30 September 2016, no related hedge was made by the Group (31 March 2016: nil).

Contingent liabilities and capital commitments

As at 30 September 2016, the Group had no material contingent liabilities and capital commitments (31 March 2016: nil).

Significant investments, acquisition or disposals

Other than the acquisition of the entire interest in and the shareholders' loans to Sino Yao Sheng Technology Limited which was completed and disclosed in the Company's announcement on 30 August 2016, the Group does not have any material investments, acquisition or disposal which requires disclosure during the six months ended 30 September 2016.

Capital structure

The shares of the Company have been listed on GEM since 28 March 2000.

On 31 May 2016, the Company and a potential investor entered into a subscription agreement pursuant to which the subscriber agreed to subscribe for and the Company agreed to issue, a convertible note in the aggregate principal amount of HK\$35 million. This subscription was completed and the relevant announcement was made on 31 October 2016.

As at 30 September 2016, the current ratio and quick ratio of the Group was 1.66 (31 March 2016: 2.34) and 1.31 (31 March 2016: 1.86) respectively.

Save from the above, there has been no material change in the capital structure of the Group during the six months ended 30 September 2016.

Events after the Reporting Period

Extension of loan receivable

Pursuant to the loan agreement made on 22 April 2016, a loan in a principal amount of HK\$6 million bearing interest at a rate of 10% per annum for a six-month period, was granted for an extension on 21 October 2016 for two months from 21 October 2016 to 21 December 2016 after conducting an internal risk assessment on the borrower by the Directors. Save for the extension of the final repayment date of the loan, the terms of the loan agreement have not been modified or varied. An announcement was made and posted to the website of the Exchange on 21 October 2016 with respect to such extension of loan. Interest accrued under this loan agreement (prior to the extension) has been fully repaid in October 2016.

Change of Company's name

The name of the Company was changed from “Prosten Technology Holdings Limited” to “Prosten Health Holdings Limited” during the period under review. Details were set out in the Company’s announcement dated 18 October 2016.

Completion of subscription of convertible note

On 31 May 2016, the Company announced the conditional subscription of a convertible note in the aggregate principal amount of HK\$35,000,000 pursuant to the terms of the subscription agreement. All the conditions precedent under the subscription agreement have been fulfilled and completion took place on 31 October 2016. Detail were set out in the Company's announcement dated 31 October 2016.

New loan receivable

Pursuant to the Company's announcement dated 8 November 2016, an unsecured loan agreement was entered into between SZ Enterprise Union Finance Limited, an indirect wholly-owned subsidiary of the Company, and the borrower Mr. Wen Qimin on 8 November 2016, according to which a loan in a principal amount of HK\$13 million bearing interest at a rate of 10% per annum for a six-month period, was drawn down on 8 November 2016. The final repayment date of the loan is on 8 May 2017, but early repayment is allowed. Accrued interest shall be paid in the first instance upon the end of the third month of the term, and thereafter on the final repayment date together with the repayment of the loan principal.

Save from the above, there was no particular event after the reporting period of 30 September 2016.

Employees and Remuneration Policy

As at 30 September 2016, the Group had a total of 36 employees (31 March 2016: 95) and total staff cost for the six months ended 30 September 2016 was approximately HK\$4.2 million (six months ended 30 September 2015: HK\$6.1 million). The Group's remuneration policy is basically determined by the performance of individual employees and Directors and the market condition. In addition to salaries and discretionary bonuses, employee benefits included medical schemes, pension contributions, share option schemes and on-job and other training.

Business Review and Outlook

Wireless value-added services

Further to the expiry of WVAS contracts with a PRC telecommunication operator during the year ended 31 March 2016, the Group did not have any revenue from WVAS during the six months ended 30 September 2016. In addition, the Group has set up a PRC company for WVAS to seek for further business opportunities in this industry.

Lending business

The lending business was introduced to the Group in the second half of the year ended 31 March 2016. It continues to grow and gives a positive result to the Group during the six months ended 30 September 2016. The Group will pay a close attention to the market and the external economic environment and consider the possibility of further expansion in the lending business sector.

During the six months ended 30 September 2016, there were two major outstanding loan amounts, each of which was HK\$13 million bearing interest at a rate of 10% per annum for a six-month period, became matured. One of them had been fully settled together with the accrued interest. The loan agreement of another outstanding principal loan amount of HK\$13 million was granted for an extension, and its repayment terms and conditions are the same as before after conducting an internal risk assessment on the borrower by the Directors. An announcement was made and posted to the website of the Exchange on 20 September 2016 with respect to such extension of loan. Interest accrued under this loan agreement (prior to the extension) has been fully paid to the Group in September 2016.

Trading and Retailing of Jewelry Business

The trading and retailing of jewelry business was also introduced to the Group in the second half of the year ended 31 March 2016 by acquiring a group of jewelry companies which are mainly located in the PRC. Such acquisition was to broaden the income sources of the Group. The Group incurred loss in this business segment due to the maintenance of the selling and administrative expenses in the PRC.

Pharmaceutical and Healthcare Products Business

Further to the commencement of pharmaceutical and healthcare products business in the first quarter of the year ending 31 March 2017 and the completion of the acquisition of the entire interest in and shareholder's loans to Sino Yao Shang Technology Limited, the announcement of which was made to the website of the Exchange on 30 August 2016, the Group is expected to benefit from the enormous population of 1.4 billion in the PRC. In view of the current challenging economic conditions in the PRC, the Directors expect that it could turn out to be a good business opportunity for the Group to develop a sound market there. As the Group has just made effort in developing this business segment, the pharmaceutical and healthcare products business is still at a developing stage.

Nevertheless, the Group would continue to take a cautious approach to balance between the business development process and its financial liquidity position.

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 (as defined under the 2016 Annual Report) 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 and thereafter (the “De-Consolidation”).

The Company has been in negotiation with the 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.

The Company has also engaged an internal control reviewer to conduct an internal control review on the Group with the following objectives:

- (a) to review and assess whether there is any existing internal control weakness of the Group indicated by the incident(s) leading to the De-Consolidation;
- (b) to review the Group’s current enterprise risk management and internal controls in order to assist the Directors to ensure that the management of the Group maintains a sound system for (i) evaluating the risks it is willing to take in achieving the Group’s strategic objectives; and (ii) ensuring the internal controls to safeguard the investments of the shareholders of the Company (the “Shareholders”) and the Group’s assets; and
- (c) to make recommendation on any measures which, in the internal control reviewer’s opinion, the Group should take in order to rectify any material weakness which has been identified in (a) above and its enterprise risk management and internal controls.

The scope of review shall cover 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 aforesaid internal control review has been commenced.

The Company will keep the Shareholders and potential investors of the Company informed of any material development in the above matters as and when appropriate.

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

As at 30 September 2016, 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 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 Exchange, were as follows:

Long positions in the ordinary shares of the Company

| Name of Director | Notes | Capacity and nature of interest | Number of ordinary shares | Percentage of the Company's issued share capital <i>Note (3)</i> |
|--------------------|-------|--------------------------------------|---------------------------|---|
| Mr. Yip Heon Keung | (1) | Personal Interest | 6,300,000 | 0.58% |
| Mr. Chen Weixi | (2) | Interest of a controlled corporation | 294,276,619 | 26.87% |
| Mr. Song Xuxi | (3) | Personal Interest | 1,000,000 | 0.09% |

Notes:

- (1) Mr. Yip Heon Keung is personally interested in 6,300,000 shares of the Company.
- (2) 294,276,619 shares of the Company are held by Dynamic Peak Limited and its issued share capital is held as to 80% by Mr. Chen Weixi and as to the remaining 20% by Mr. Xu Zhigang, both of them are Directors. By virtue of the SFO, Mr. Chen Weixi is deemed to be interested in 294,276,619 shares of the Company held by Dynamic Peak Limited.
- (3) Mr. Song Xuxi is personally interested in 1,000,000 shares of the Company.
- (4) Based on 1,095,360,500 shares of the Company in issue as at 30 September 2016.

Long positions in underlying shares of 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 schemes 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 Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of the shares of the Company on GEM as stated in the Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Company's share. The offer of a grant of options may be accepted within 21 days from the date of the offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. The exercise period of the options granted is determinable by the Directors, which commences after the date of offer with a certain vesting period and ends in any event not later than 10 years from the respective date when the share options are granted, subject to the provisions for early termination thereof.

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 of the Company 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:

| 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** <i>HK\$ per share</i> |
|-------------------------------------|--|-------------------------------|-----------------------------|--------------------------|-------------------------|--------------------------------|--|--|
| | As at 1 April 2016 | Transferred during the period | Exercised during the period | Lapsed during the period | As at 30 September 2016 | | | |
| Director | | | | | | | | |
| Mr. Yip Heon Keung | 700,000 | — | — | — | 700,000 | 5 December 2013 | 5 December 2013 to 4 December 2023 | 0.165 |
| | <u>700,000</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>700,000</u> | | | |
| Other employees of the Group | | | | | | | | |
| In aggregate | 2,000,000 | — | — | — | 2,000,000 | 5 December 2013 | 5 December 2013 to 4 December 2023 | 0.165 |
| | <u>2,700,000</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>2,700,000</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.

Save as disclosed above, as at 30 September 2016, 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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2016, 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 of the Company

| Name of Shareholder | Notes | Capacity and nature of interest | Number of ordinary shares | Percentage of the Company's issued share capital <i>Note (6)</i> |
|--|-------|--------------------------------------|---------------------------|---|
| Dynamic Peak Limited | (1) | Beneficially owned | 294,276,619 | 26.87% |
| Right Advance Management Limited | (2) | Beneficially owned | 111,000,000 | 10.13% |
| Ms. Wang Li Mei | (2) | Interest of a controlled corporation | 111,000,000 | 10.13% |
| Mr. Wang Leilei | (2) | Interest of a controlled corporation | 111,000,000 | 10.13% |
| Rainbow Enterprise Holdings Co., Limited | (3) | Beneficially owned | 100,847,000 | 9.21% |
| Cheng Haiqing | (3) | Interest of a controlled corporation | 100,847,000 | 9.21% |
| Will City Limited | (4) | Beneficially owned | 100,000,000 | 9.13% |

| Name of Shareholder | <i>Notes</i> | Capacity and nature of interest | Number of ordinary shares | Percentage of the Company's issued share capital <i>Note (6)</i> |
|----------------------------|--------------|--|----------------------------------|--|
| Ms. Zhang Yingnan | (4) | Interest of a controlled corporation | 100,000,000 | 9.13% |
| Mr. Pei Chuang | | Beneficially owned | 70,000,000 | 6.39% |
| South Pearl Group Limited | (4) | Beneficially owned | 64,500,000 | 5.89% |
| Mr. Song Weiliang | (4) | Interest of a controlled corporation | 64,500,000 | 5.89% |

Notes:

- (1) Dynamic Peak Limited is a company incorporated in the British Virgin Islands and its issued share capital is held as to 80% by Mr. Chen Weixi and as to the remaining 20% by Mr. Xu Zhigang. Both of them are Directors.
- (2) Right Advance Management Limited (“Right Advance”) is a company incorporated in the British Virgin Islands and its entire issued share capital is registered in the name of Ms. Wang Li Mei, and such shares are ultimately owned by Mr. Wang Leilei. Ms. Wang Li Mei is the sole director of Right Advance.
- (3) Rainbow Enterprise Holdings Co., Limited is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Mr. Cheng Haiqing.
- (4) Will City Limited is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Ms. Zhang Yingnan.
- (5) South Pearl Group Limited is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Mr. Song Weiliang.
- (6) Based on 1,095,360,500 shares of the Company in issue as at 30 September 2016.

Save as disclosed above, as at 30 September 2016, 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 six months ended 30 September 2016, 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/she complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the six months ended 30 September 2016.

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.

Code provision A.6.7 of the CG Code requires all independent non-executive directors and non-executive directors should attend general meetings of listed issuers. Mr. Poon Yan Wai and Mr. Xu Xiaoping, being independent non-executive Directors, and Mr. Chen Weixi, Mr. Yip Heon Keung and Mr. Song Xuxi, being non-executive Directors, were unable to attend the annual general meeting held on 28 September 2016 due to their personal commitments.

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, 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, 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, Mr. Xu Xiaoping and Mr. Lam Kwok Cheong.

By order of the Board
PROSTEN HEALTH HOLDINGS LIMITED
Xu Zhigang
Chairman

Hong Kong, 9 November 2016

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. Yip Heon Keung (*Non-Executive Director*)
Mr. Song Xuxi (*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 “Latest Company Announcement” page of the GEM website at www.hkgem.com for at least 7 days from the day of its posting and on the Company’s website at www.prosten.com.