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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2016

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

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

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

This announcement, for which the directors (the “Directors”) of Prosten Technology 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 year ended 31 March 2016 amounted to approximately HK$10,050,000, representing an increase of approximately HK$287,000 as compared to last year.

- The Group's gross profit for the year ended 31 March 2016 was approximately HK$5,409,000, decreased by approximately HK$1,141,000 as compared to last year.

- Loss attributable to equity holders of the Company for the year ended 31 March 2016 amounted to approximately HK$31,359,000, which represented an increase in loss of approximately HK$1,652,000 as compared to last year.

- The Board does not recommend the payment of any dividend for the year ended 31 March 2016.

RESULTS

The board of Directors (the "Board") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2016 together with the comparative audited figures for the year ended 31 March 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	*7*	**10,050**	9,763
Cost of sales		**(4,641)**	(3,213)
Gross profit		**5,409**	6,550
Other income and gains	*7*	**604**	1,806
Selling expenses		**(3,635)**	(2,989)
Administrative expenses		**(23,068)**	(31,414)
Other expenses		**(60)**	(2,179)
Net loss on de-consolidation of subsidiaries	*15*	**(10,555)**	—
Finance costs	*8*	**(46)**	(81)
Loss before tax	*9*	**(31,351)**	(28,307)
Income tax expense	*10*	**(8)**	(1,400)
Loss for the year attributable to equity holders of the Company		**(31,359)**	(29,707)
Other comprehensive income/(expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**66**	(17)
Reclassification adjustment relating to foreign operation de-consolidation during the year		**(87)**	—
Net gain on revaluation of available-for-sale financial assets		**6,760**	—
Total comprehensive expense for the year attributable to equity holders of the Company		**(24,620)**	(29,724)
Loss per share attributable to ordinary equity holders of the Company	*11*		
Basic		**(HK3.52) cents**	(HK3.87) cents
Diluted		**(HK3.52) cents**	(HK3.87) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,067**	2,351
Investment property		**—**	4,367
Deposits		**46**	141
Available-for-sale financial assets		**22,179**	832
Goodwill		**3,908**	—
Total non-current assets		**28,200**	7,691
CURRENT ASSETS			
Inventories		**15,266**	—
Trade receivables	*12*	**26,862**	4,974
Prepayments, deposits and other receivables		**4,130**	3,132
Cash and cash equivalents		**28,761**	1,778
Total current assets		**75,019**	9,884
CURRENT LIABILITIES			
Trade payables	*13*	**2,703**	9,713
Other payables and accruals		**8,336**	11,767
Due to non-executive Directors		**5,425**	2,000
Due to an ultimate holding company		**142**	—
Due to de-consolidated subsidiaries		**15,300**	—
Interest-bearing borrowing, secured		**—**	1,125
Tax payable		**178**	3,337
Total current liabilities		**32,084**	27,942
NET CURRENT ASSETS/(LIABILITIES)		**42,935**	(18,058)
TOTAL ASSETS LESS CURRENT LIABILITIES		**71,135**	(10,367)
NON-CURRENT LIABILITY			
Deferred tax liability		**181**	500
NET ASSETS/(LIABILITIES)		**70,954**	(10,867)

	Note	**2016**	2015
		HK$'000	*HK$'000*
EQUITY/(DEFICIT IN ASSETS)			
Equity/(Deficit in assets) attributable to equity holders of the Company			
Share capital	*14*	**109,536**	79,610
Reserves		**(38,582)**	(90,477)
TOTAL EQUITY/(DEFICIT IN ASSETS)		**70,954**	(10,867)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

	Attributable to equity holders of the Company								
	Share capital *HK$'000*	Share premium account *HK$'000*	Statutory reserve fund *HK$'000* *(note a)*	Available-for-sale financial assets equity reserve *HK$'000* *(note b)*	Foreign currency translation reserve *HK$'000* *(note c)*	Share option reserve *HK$'000*	Accumulated losses *HK$'000*	Reserves sub-total *HK$'000*	Total equity *HK$'000*
At 1 April 2015	79,610	378,628	3,349	—	14,787	611	(487,852)	(90,477)	(10,867)
Loss for the year	—	—	—	—	—	—	(31,359)	(31,359)	(31,359)
Other comprehensive income/(expense) for the year:									
Exchange differences on translation of foreign operations	—	—	—	—	66	—	—	66	66
Reclassification of foreign currency translation reserve relating to foreign operations de-consolidated during the year	—	—	—	—	(87)	—	—	(87)	(87)
Net gain on revaluation of available-for-sale financial assets	—	—	—	6,760	—	—	—	6,760	6,760
Total comprehensive income/(expense) for the year	—	—	—	6,760	(21)	—	(31,359)	(24,620)	(24,620)
Equity-settled share option arrangements	—	—	—	—	—	106	—	106	106
Exercise of share options	314	704	—	—	—	(401)	—	303	617
Placements of new shares	29,612	77,466	—	—	—	—	—	77,466	107,078
Expenses on issue of new shares	—	(1,360)	—	—	—	—	—	(1,360)	(1,360)
At 31 March 2016	109,536	455,438	3,349	6,760	14,766	316	(519,211)	(38,582)	70,954
At 1 April 2014	75,635	372,468	3,349	—	14,804	10,041	(465,481)	(64,819)	10,816
Loss for the year	—	—	—	—	—	—	(29,707)	(29,707)	(29,707)
Other comprehensive expense for the year:									
Exchange differences on translation of foreign operations	—	—	—	—	(17)	—	—	(17)	(17)
Total comprehensive expense for the year	—	—	—	—	(17)	—	(29,707)	(29,724)	(29,724)
Equity-settled share option arrangements	—	—	—	—	—	268	—	268	268
Transfer of share option reserve on the forfeited share options	—	—	—	—	—	(7,336)	7,336	—	—
Exercise of share options	2,475	3,841	—	—	—	(2,362)	—	1,479	3,954
Placement of new shares	1,500	2,550	—	—	—	—	—	2,550	4,050
Expenses on issue of new shares	—	(231)	—	—	—	—	—	(231)	(231)
At 31 March 2015	79,610	378,628	3,349	—	14,787	611	(487,852)	(90,477)	(10,867)

Notes to consolidated statement of changes in equity:

(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 reserves

Available-for-sale financial assets equity reserves 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 of the foreign operations.

Notes:

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The address of its principal place of business is Unit 905, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the GEM.

On 1 April 2015, Dynamic Peak Limited (the "Offeror"), and Century Technology Holding (PTC) Limited, Bakersfield Global (PTC) Corporation and Greenford Company (PTC) Limited (the "Vendors") entered into a sale and purchase agreement ("S&P Agreement"). Pursuant to which, the Offeror conditionally agreed to purchase and the Vendors conditionally agreed to sell the aggregate of 294,276,619 shares of the Company (the "Sale Shares"), for a total consideration of HK$79,454,687.13 (representing HK$0.27 per Sale Share). The completion of the S&P Agreement took place on 29 April 2015. For details, please refer to the Company's announcement dated 29 April 2015.

As a result of the Completion of the S&P Agreement, Dynamic Peak Limited ("Dynamic") became the then immediate and ultimate holding company of the Company. As at 31 March, 2016, Dynamic held approximately 26.87% interest in the Company and continued to be the single largest shareholder of the Company.

2. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance.

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 March 2016. Further, the disclosure requirements set out in the GEM Listing Rules regarding annual accounts have been amended with reference to the new Hong Kong Companies Ordinance (Cap 622) and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements of the Group for the year ended 31 March 2016 have been amended to comply with these new requirements. Comparative information in respect of the year ended 31 March 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor Hong Kong Companies Ordinance or GEM Listing Rules but not under the new Hong Kong Companies Ordinance or amended GEM Listing Rules are not disclosed in these consolidated financial statements.

3. BASIS OF PREPARATION

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The measurement basis used in the preparation of the consolidated financial statements is the historical cost convention, except for investment property and available-for-sale financial assets which have been measured at fair value.

These summary of consolidated financial statements 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 ("RMB") as their functional currency.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired, disposed or de-consolidation of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

De-consolidation

Despite the Board have repeated verbal and written requests (including legal letter), the Board had been unable to access the complete set of books and records together with the supporting documents of certain subsidiaries incorporated in Shanghai (the "Shanghai Subsidiaries") for the period from 1 January 2016 to 31 March 2016 for the purpose of, among others, preparing the Group's consolidated financial statements for the year ended 31 March 2016.

As a result, due to the Board considered that the Company was unable to govern the Shanghai Subsidiaries, and the control over these subsidiaries was lost, the Group had de-consolidated the financial results, assets and liabilities of the Shanghai Subsidiaries from the consolidated financial statements of the Group since 1 January 2016. The de-consolidation has resulted in a net loss on de-consolidation of subsidiaries of approximately HK$10,555,000.

The following tables sit out the financial information of the de-consolidated subsidiaries.

Financial Result

The followings are the unaudited financial results of the de-consolidated subsidiaries for the nine months ended 31 December 2015. These financial results have been included in the unaudited consolidated financial results included in the third quarterly report of the Company.

For the nine months ended 31 December 2015

	Unaudited *HK$'000*
Revenue	5,061
Loss for the period attributable to equity holders of the Company	(4,203)

Assets and liabilities

The followings are the unaudited assets and liabilities of the de-consolidated subsidiaries immediate before the de-consolidation on 1 January 2016, and the effect of impairment of investments costs and amounts due from the de-consolidated subsidiaries are set out below.

	Immediate before de-consolidation on 1 January 2016 (Unaudited) *HK$'000*
Assets and liabilities de-consolidated:	
Non-current assets	6,389
Current assets	18,446
Current liabilities	(66,435)
Non-current liabilities	(302)
Net liabilities de-consolidated	(41,902)
Effect of written off of investments in de-consolidated subsidiaries and amounts due from the de-consolidated subsidiaries	52,544
Translation reserves	(87)
Net loss on de-consolidation	10,555

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at the end of reporting period. For the purpose of impairment testing goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cashgenerating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Where goodwill has been allocated to a cashgenerating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied the following revised HKFRSs issued by the HKICPA, which are relevant to the Group and effective for the first time for the Group's current year's financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior year and/or on the disclosures.

5. HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not applied or early adopted the following new or revised HKFRSs (including their consequential amendments) that have been issued but not yet effective in these consolidated financial statements. The name of pronouncements which may be relevant to the Group are set out below.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[4]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plant[2]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[2]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associated or Joint Venture[3]
Amendments to HKFRS 10, HFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2019

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 any significant impact in its results of operation and financial position. It is anticipate that all of the pronouncements will be adopted in the Group's accounting policy in the accounting period when they first become effective.

6. OPERATING SEGMENT INFORMATION

The Group's operating activities are currently attributable to three operating segments focusing on the wireless value-added services, trading and retailing of jewelry and lending 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

The operation of trading and retailing of jewelry and lending business were introduced to the Group during the year. The following is an analysis of the Group's revenue and results by operating segments:

For the year ended 31 March 2016	**Wireless valued-added services** *HK$'000*	**Trading and retailing of jewelry** *HK$'000*	**Lending business** *HK$'000*	**Consolidation** *HK$'000*
REVENUE				
External sales	**5,061**	**4,911**	**78**	**10,050**
RESULTS				
Segment profit/(loss)	**2,089**	**(393)**	**78**	**1,774**
Unallocated income	**543**	**61**	**—**	**604**
Unallocated expenses	**(14,259)**	**(8,796)**	**(73)**	**(23,128)**
Net loss on de-consolidation of subsidiaries	**(10,555)**	**—**	**—**	**(10,555)**
Finance costs	**(11)**	**(35)**	**—**	**(46)**
(Loss)/profit before taxation	**(22,193)**	**(9,163)**	**5**	**(31,351)**

For the year ended 31 March 2015	Wireless valued-added services HK$'000	Trading and retailing of jewelry HK$'000	Lending business HK$'000	Consolidation HK$'000
External sales	9,763	—	—	9,763
RESULTS				
Segment profit	3,561	—	—	3,561
Unallocated income	1,806	—	—	1,806
Unallocated expenses	(33,185)	—	—	(33,185)
Finance costs	(81)	—	—	(81)
Fair value loss on investment property	(408)	—	—	(408)
Loss before taxation	(28,307)	—	—	(28,307)

Segment profit/loss represents the profit/loss earned/suffered by each segment without allocation of central administration costs, certain other income gains, and other expenses, finance costs, fair value gain/(loss) on investment property and net loss on de-consolidation of subsidiaries. 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:

	2016 *HK$'000*	2015 *HK$'000*
SEGMENT ASSETS		
Wireless valued-added services	**2,061**	17,362
Trading and retailing of jewelry	**32,041**	—
Lending business	**29,098**	—
Unallocated assets	**40,019**	213
	103,219	17,575
SEGMENT LIABILITIES		
Wireless valued-added services	**30,316**	28,442
Trading and retailing of jewelry	**881**	—
Lending business	**249**	—
Unallocated liabilities	**819**	—
	32,265	28,442

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 from continuing 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, deferred taxation and taxation payable from each segment.

Information about Major Customers

During the year ended 31 March 2016, revenue of approximately HK$7,281,000 which represents approximately 72.45% of the Group's total sales was derived from services rendered to two customers. During the year ended 31 March 2015, approximately HK$9,528,000 which represented approximately 97.60% of the Group's total sales were derived from services rendered to one customer. These was no other single customer contributed 10% or more to the Group's revenue for each of the years ended 31 March 2016 and 2015.

	2016	2015
	HK$'000	*HK$'000*
Customer A	**5,061**	9,528
Customer B	**2,220**	—
Others	**2,769**	235
	10,050	9,763

Other Segment Information

31 March 2016

	Wireless valued-added services *HK$'000*	Trading and retailing of jewelry *HK$'000*	Lending business *HK$'000*	Consolidated *HK$'000*
Depreciation of property, plant and equipment	**756**	**358**	—	**1,114**
Net loss on de-consolidation of subsidiaries	**10,555**	—	—	**10,555**
Impairment losses on trade receivables	**827**	—	—	**827**
Income tax expense	—	**8**	—	**8**

31 March 2015

	Wireless valued-added services *HK$'000*	Trading and retailing of jewelry *HK$'000*	Lending business *HK$'000*	Consolidated *HK$'000*
Depreciation of property, plant and equipment	1,053	—	—	1,053
Impairment losses on trade receivables	222	—	—	222
Income tax expense	1,400	—	—	1,400

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and services rendered during the year. An analysis of the Group's revenue, other income and gains is as follows:

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Net invoiced value of goods sold and services rendered	**10,050**	9,763
Other income and gains		
Bank interest income	**64**	134
Investment income	**152**	502
Gain on disposal of items of property, plant and equipment	**—**	1,170
Fair value gain on an investment property	**388**	—
	604	1,806
	10,654	11,569

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2016	2015
	HK$'000	*HK$'000*
Interest on borrowing wholly repayable within five years and total borrowing costs	**46**	81

9. LOSS BEFORE TAX

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

	2016	2015
	HK$'000	*HK$'000*
Cost of services*	**1,037**	3,213
Cost of inventories recognised as an expenses	**3,604**	—
Depreciation*	**1,114**	1,053
Minimum lease payments under operating leases in respect of:		
Land and buildings	**2,137**	2,733
Auditors' remuneration	**600**	550
Employee benefits expense (including Directors' remuneration)*#:		
Wages, salaries, allowances and benefits in kind	**14,357**	15,770
Equity-settled share option arrangements	**106**	268
Pension scheme contributions (defined contribution schemes)	**241**	1,790
Severance payments	**423**	85
	15,127	17,913
Foreign exchange losses, net	**42**	29
Impairment allowances on trade receivables	**827**	222
Net loss on de-consolidation of subsidiaries	**10,555**	—
Gain on disposal of items of property, plant and equipment	—	(1,170)
Research and development costs#	**310**	1,770
Bank interest income	**(64)**	(134)
Investment income	**(152)**	(502)
Fair value (gain)/loss on an investment property	**(388)**	408

* The cost of services includes depreciation and employee benefits expense totalling approximately HK$822,000 for the year ended 31 March 2016 (2015: HK$2,098,000), which is also included in the respective total amount separately disclosed above.

\# The research and development costs for the year include approximately HK$310,000 (2015: HK$1,770,000) relating to employee benefits expense for research and development activities, which is also included in the employee benefits expense separately disclosed above.

10. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 March 2016. Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the years ended 31 March 2015. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	2016	2015
	HK$'000	*HK$'000*
Current — Hong Kong:		
Charge for the year	**8**	—
Current — Elsewhere:		
Charge for the year	—	6
Deferred	—	1,394
Total tax charged for the year	**8**	1,400

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of approximately HK$31,359,000 (2015: HK$29,707,000), and the weighted average numbers of ordinary shares of 890,864,168 (2015: 767,951,438) in issue during the year.

No diluted loss per share are calculated as there were no dilutive potential equity shares in existence as at 31 March 2016 and 2015. Hence, the basic and diluted loss per share were the same for both years.

12. TRADE RECEIVABLES

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

	2016	2015
	HK$'000	*HK$'000*
Within 3 months	**26,862**	2,364
4 to 6 months	**—**	806
7 to 12 months	**—**	1,198
Over 1 year	**—**	606
Trade receivables, net	**26,862**	4,974

The Group's trade receivables, which generally have credit terms of one month to three months (2015: one month to three months) pursuant to the provisions of the relevant contracts, are recognised based on services rendered and money lended 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.

13. TRADE PAYABLES

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

	2016	2015
	HK$'000	*HK$'000*
Over 1 year	**2,703**	9,713

14. SHARE CAPITAL

	Number of shares *'000*	Amounts *HK$'000*
Authorised:		
Ordinary Shares:		
At 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016 — HK$0.10 each	**2,500,000**	**250,000**
Issued and fully paid:		
At 1 April 2014	**756,355**	**75,635**
Exercise of share options	**24,750**	**2,475**
Placing of new shares *(Note a)*	**15,000**	**1,500**
At 31 March 2015	**796,105**	**79,610**
Exercise of share options	**3,138**	**314**
Placings of new shares *(Notes b and c)*	**296,118**	**29,612**
At 31 March 2016	**1,095,361**	**109,536**

Notes:

(a) On 23 January 2015, the Company entered into a placing agreement with a placing agent, an independent third party. On 30 January 2015, the placing was completed. Pursuant to the placing agreement, the Company issued a total of 15,000,000 ordinary shares with par value of HK$0.1 each at a price of HK$0.27 each. The issued share capital of the Company was thus increased from HK$78,110,500 to HK$79,610,500. The excess of the placement proceeds over the nominal value of share capital issued was credited as share premium.

(b) On 31 July 2015, the Company entered into a placing agreement with a placing agent, an independent third party. On 21 August 2015, the placing was completed. Pursuant to the placing agreement, the Company issued a total of 136,270,000 ordinary shares with par value of HK$0.1 each at a price of HK$0.43 each. The issued share capital of the Company was thus increased from HK$79,924,250 to HK$93,551,250. The excess of the placement proceeds over the nominal value of share capital issued was credited as share premium.

(c) On 19 February 2016, the Company entered into a placing agreement with a placing agent, an independent third party. On 10 March 2016, the placing was completed. Pursuant to the placing agreement, the Company issued a total of 159,848,000 ordinary shares with par value of HK$0.1 each at a price of HK$0.31 each. The issued share capital of the Company was thus increased from HK$93,551,250 to HK$109,536,050. The excess of the placement proceeds over the nominal value of share capital issued was credited as share premium.

15. DE-CONSOLIDATION OF SUBSIDIARIES

As mentioned in note 3 to the financial information in this announcement, de-consolidated subsidiaries have been de-consolidated from the consolidated financial statements of the Group as from 1 January 2016.

Details of the aggregate net liabilities of the above-mentioned subsidiaries are set out below:

	Immediate before de-consolidation on 1 January 2016 *HK$'000* (Unaudited)
Net liabilities de-consolidated:	
Property, plant and equipment	1,158
Investment property	4,832
Available-for-sale financial assets	399
Goodwill	—
Trade receivables	2,270
Prepayments, deposits and other receivables	1,790
Due from a Director	33
Due from the Group	12,580
Cash and cash equivalents	1,773
Trade payables	(6,672)
Other payables and accruals	(6,076)
Due to the Group	(49,967)
Tax payable	(3,218)
Short-term borrowing	(502)
Deferred tax liabilities	(302)
Net liabilities de-consolidated	(41,902)
Effect of written off of investments in de-consolidated subsidiaries and amounts due from the de-consolidated subsidiaries	52,544
Translation reserves	(87)
Net loss on de-consolidation	10,555

On 24 June 2016, the Board resolved that the Group no longer had the power to govern the De-Consolidated Subsidiaries, and the control over the De-Consolidated Subsidiaries was lost. Details were set out in the Company's announcement dated 24 June 2016.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 March 2016 (2015: nil).

AUDIT OPINION

BASIS FOR DISCLAIMER OF OPINION

De-consolidation of certain subsidiaries

Certain subsidiaries were deconsolidated (the “De-Consolidated Subsidiaries”) from the consolidated financial statements for the year ended 31 March 2016 due to the loss of control since 1 January 2016 (the “De-Consolidation”).

We have not been provided with sufficient information and explanations on the De-Consolidated Subsidiaries and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the De-Consolidation was appropriate to deconsolidate the assets and liabilities and cease to record results of operations of the De-Consolidated Subsidiaries from the consolidated financial statements from 1 January 2016 for the financial year ended 31 March 2016.

As the Company was unable to provide complete books and records of the De-Consolidated Subsidiaries, we have not been able to obtain sufficient appropriate audit evidence and explanations to determine as to (i) whether an amount due to the De-Consolidated Subsidiaries was properly recorded and accounted for and in compliance with the requirements of applicable HKFRSs (ii) whether the net loss on the De-Consolidation and the result of the De-Consolidated Subsidiaries for the period from 1 April 2015 to 31 December 2015, which were charged to the Group’s loss for the year ended 31 March 2016 were free from material misstatement, and (iii) whether the contingent liabilities and commitments, the events after the reporting period and the related party transactions of the De-Consolidated Subsidiaries, were properly recorded, accounted for, disclosed and in compliance with the requirements of applicable HKFRSs in the consolidated financial statements.

There were no alternative audit procedures that we could perform (i) to satisfy ourselves as to whether, the amount due to the De-Consolidated Subsidiaries, the contingent liabilities and commitments of the De-Consolidated Subsidiaries, the net loss on de-consolidation and the result of the De-Consolidated Subsidiaries for the period from 1 April 2015 to 31 December 2015 which were charged to the Group's loss for the year ended 31 March 2016, were free from material misstatements, (ii) over the significant transactions after the reporting period of the De-Consolidated Subsidiaries which occurred during the period from 1 April 2016 to the date of this auditors' report and over the related party transactions of the De-Consolidated Subsidiaries which occurred during the year ended 31 March 2016.

Any adjustments or additional disclosures found to be necessary in respect of the above matters, including any related tax impact, will have a consequential significant effect on the financial position of the Group as at 31 March 2016 and the financial performance and cash flows of the Group for the year then ended, and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant subsequent event related to the Group.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements as whether they give a true and fair view of the state of affairs of the Group as at 31 March 2016 and of the Group's financial performance and cash flows for the year ended in compliance with Hong Kong Financial Reporting Standards and as to whether the financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

REPORT ON OTHER MATTERS UNDER SECTIONS 407(2) AND 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the De-Consolidated Subsidiaries as described in the Basis for Disclaimer of Opinion section of our report above:

- we were unable to determine whether adequate accounting records had been kept; and

- we have not obtained all the information or explanations that, to the best of our knowledge and belief, are necessary and material for the purpose of the audit.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review, Business Performance and Outlook

Revenue

During the year, apart from revenue from the wireless value-added services ("WVAS") for music as the Group's main source of income, the Group diversified its revenue base by entering into jewelry trading and retailing and lending business ("New Business"). The income from the Group's technical supporting services to a major telecommunication operator in the PRC, however, showed a downward trend due to the expiry of contracts. The introduction of the New Business has compensated the reduction from WVAS revenue.

As a result, the Group's revenue for the year ended 31 March 2016 amounted to approximately HK$10,050,000, representing an increase of approximately 3% from approximately HK$9,763,000 for the year ended 31 March 2015.

Cost of sales and gross profit margin

As a result of entering into the jewelry trading and retailing business, cost of sales of the Group increase from approximately HK$3,213,000 for the year ended 31 March 2015 to approximately HK$4,641,000 for the year ended 31 March 2016, representing an increase of approximately 44%. As the Group has revenue generated from New Business which has a lower gross profit margin, the overall gross profit margin decreased from approximately 67% to 54% in current year.

Other income and gains

Other income and gains during the year amounted to approximately HK$604,000, which was decreased by approximately HK$1,202,000 as compared with that of 2015 (2015: HK$1,806,000). The decrease was mainly attributable to the reduction in gain from disposal of items of property, plant and equipment.

Selling expenses

For the year ended 31 March 2016, as a result of expansion of New Business, the Group's selling expenses experienced an increase from approximately HK$2,989,000 for the year ended 31 March 2015 to approximately HK$3,635,000 for the year ended 31 March 2016, representing a rise of approximately 22%.

Administrative expenses

Administrative expenses mastered a decrease of approximately HK$8,346,000 from approximately HK$31,414,000 for the year ended 31 March 2015 to approximately HK$23,068,000 for the year ended 31 March 2016. The decrease in such expenses was due to the reduction on the administrative expenses such as directors' remuneration and research and development cost.

Other expenses

Other expenses, which mainly represented expenses for staff development and other non-operating expenses, decreased from approximately HK$2,179,000 in 2015 to approximately HK$60,000 in 2016 which was mainly due to the decrease in non-operating staff costs during the year.

Gain on revaluation of available-for-sale financial assets

During the year, the Group had invested in 6% of shares in Hong Kong Net TV Limited at cost of HK$15,000,000. The fair value of these available-for-sale financial assets amounted to HK$21,760,000. As a result, the Group had a net gain of HK$6,760,000 in the available-for-sale financial assets equity reserves (2015: nil).

Net loss on de-consolidation of subsidiaries

As the result of the De-Consolidation, further details of which are set out in note 3 to the financial information of this announcement, the Group incurred an one-off non-recurring loss of HK$10,555,000 (2015: nil).

Result for the year

The Group's loss attributable to equity holders of the Company was approximately HK$31,359,000 in current year, representing an increase in loss of approximately HK$1,652,000 from that in 2015 (2015: HK$29,707,000).

Total equity

As a result of placement activities, as at 31 March 2016, the Group has a total equity amounted to approximately HK$70,954,000 (2015: total deficit in assets of approximately HK$10,867,000) and net current assets amount to approximately HK$42,935,000 (2015: net current liabilities of approximately HK$18,058,000).

Liquidity and financial resources

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

As at 31 March 2016, total cash and cash equivalents of the Group amounted to approximately HK$28,761,000 (2015: HK$1,778,000).

Treasury policies and foreign currency exchange exposure

As most of the Group's trading transactions, monetary assets and liabilities are denominated in Renminbi and Hong Kong dollar, the impact of foreign exchange exposure to the Group was minimal and there was no significant adverse effect on normal operations. Cash is generally deposited at banks in the PRC and Hong Kong and denominated mostly in Renminbi and Hong Kong dollar. As at 31 March 2016, no related hedges were made by the Group (2015: nil).

Contingent liabilities

As at 31 March 2016, the Group had no material contingent liabilities (2015: nil).

Significant investments, acquisitions or disposals

The Group had acquired 6% shares in Hong Kong Net TV Limited, and expanded into the business in jewelry trading and retailing, and lending during the year ended 31 March 2016 (2015: nil). Details of such acquisition and expansions are set out in the Company's announcements dated 23 October 2015 and 23 December 2015 respectively.

Capital structure and use of proceeds

The shares of the Company were listed on GEM on 28 March 2000. During the year under review, a total of 3,137,500 share options were exercised to subscribe for shares of the Company.

Further, pursuant to placing agreements dated 31 July 2015 and 19 February 2016, totalling of 296,118,000 new ordinary shares of HK$0.1 each of the Company were issued under the general mandate at the price of HK$0.43 per share as to 136,270,000 shares and HK$0.31 per share as to 159,848,000 shares, for cash to placing agents (the "Placings").

The total of 296,118,000 new shares issued under the Placings represents approximately 37% of the then Company's issued share capital before the Placings (799,242,500 ordinary shares) and approximately 27% of its enlarged issued share capital of the Company after the Placings (1,095,360,500 ordinary shares). The net proceeds from the Placings were approximately HK$105,718,000. The Group had used such net proceeds mainly for general working capital of the Group and investments. The Placings were completed on 21 August 2015 and 10 March 2016, respectively.

Details about the use of proceeds up to 31 March 2016 out of the placements were summarized as follows:

Usage of proceeds for the year ended 31 March 2016	**Unallocated (head-office)**	**Wireless value-added services**	**Trading and retailing of jewellery**	**Lending business**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Investment acquired yet to commence business	8,000	—	—	—	8,000
Inventories acquired	7,000	—	8,000	—	15,000
Lending money to customers	—	—	—	26,000	26,000
Investment in available-for-sale financial assets	—	—	15,000	—	15,000
Administrative expenditures	11,050	1,950	—	—	13,000
General working capital reserve	21,000	—	4,000	3,000	28,000
	47,050	1,950	27,000	29,000	105,000

Events after the reporting period

(a) The subscription

On 31 May 2016, the Company and the subscriber entered into the subscription agreement pursuant to which the subscriber agreed to subscribe for, and the Company agreed to issue, the convertible note in the aggregate principal amount of HK$35 million. The subscription is conditional upon satisfaction of the conditions precedent.

(b) ***The Acquisition***

On 31 May 2016, a direct wholly-owned subsidiary of the Company, the vendor and the guarantor entered into the acquisition agreement, pursuant to which the Company conditionally agreed to purchase and the vendor conditionally agreed to sell the sale shares of a group of target companies, at the aggregate consideration of HK$14,378,000.

(c) ***Proposed change of company name***

The Board of the Company proposes to change the existing English name of the Company from "PROSTEN TECHNOLOGY HOLDINGS LIMITED" to "PROSTEN HEALTH HOLDINGS LIMITED'' and to adopt the dual foreign name in Chinese "長達健康控股有限公司" to replace the existing Chinese name "長達科技控股有限公司" which was adopted for identification purposes only subject to certain conditions, including the passing of a special resolution by the shareholders of the Company at the extraordinary general meeting to approve the proposed change of the Company's name. The stock short name of the Company will be changed subsequently.

(d) ***De-consolidated subsidiaries***

On 24 June 2016, the Company announced that despite repeated verbal and written requests (including legal letters), the Directors has been unable to access the complete sets of book and records together with the supporting documents of De-Consolidated Subsidiaries for the period from 1 January 2016 to 31 March 2016. This was mainly due to the lack of cooperation by the management of the De-Consolidated Subsidiaries.

On 24 June 2016, the Directors considered that the Group was unable to govern the De-Consolidated Subsidiaries, and the control over the De-Consolidated Subsidiaries was lost. Therefore, from 1 January 2016 onwards, the Group had de-consolidated the De-Consolidated Subsidiaries from its financial statements for the financial year ended 31 March 2016. Details of the above will be included in the Company's annual results announcement for the financial year ended 31 March 2016.

The Directors has been taking all reasonable steps and has been using its best endeavours to protect interest of the Group and try to resolve the above matters.

(e) Provision of loan

On 22 April 2016, SZ Enterprise Union Finance Limited, a subsidiary of the Company, and independent third party entered in a loan agreement, which SZ Enterprise Union Finance Limited has agreed to lend to the independent third party a term loan in the principal amount of HK$6,000,000. Term loan is six months period from the drawdown date with 10% interest rate per annum. For details, please refer to the Company's announcement date 22 April 2016.

Employee and Remuneration Policy

As at 31 March 2016, the Group had a total of approximately 95 employees (2015: 59). Total staff costs for the year ended 31 March 2016 decreased to approximately HK$15,127,000 (2015: HK$17,913,000) due to strict control over staff cost.

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 staff training.

Business Review and Outlook

During the financial year 2016, as a result of the expiry of WVAS contracts, revenue from WVAS decreased in the year.

During the year, the Group had acquired companies in lending, as well as in jewelry trading and retailing business in order to broaden and diversify the income source. Such diversification had minimised and compensated the effect of reduction in WVAS revenue. The Group had made effort to reduce the burden on the liquidity position due to expansion of business development by raising additional fund on placement. These placements activities had strengthen the Group's liquidity position in fulfilling its business development commitment.

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 traditional businesses with a target to reallocate 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.

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 year under review.

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

On 21 August 2015, an aggregate of 136,270,000 placing shares were successfully placed under general mandate to not fewer than six placees, which are independent third parties of the Group, at the placing price of HK$0.43 per placing share. The 136,270,000 placing shares represents approximately 17.05% of existing issued share capital of the Company on 31 July 2015, the date the placing agreement was entered into, and approximately 14.57% of the issued share capital of the Company as enlarged by the placing shares.

On 10 March 2016, an aggregate of 159,848,000 placing shares were successfully placed under general mandate to not fewer than six placees, which are independent third parties of the Group, at the placing price of HK$0.31 per placing share. The 159,848,000 placing shares represents approximately 17.09% of existing issued share capital of the Company on 19 February 2016, the date the placing agreement was entered into, and approximately 14.59% of the issued share capital of the Company as enlarged by the placing shares.

During the year, the Company has issued and allotted 3,137,500 new shares at par value of HK$0.1 per share, as a result of the exercise of share options to the share option holders of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2016.

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 year ended 31 March 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 year 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 should be separated and should not be performed by the same individual. During the year under review, the Company has not appointed chief executive officer. The Chairman, Mr. Xu Zhigang, was responsible for ensuring that the Board functions effectively and smoothly. 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.

In addition, CG Code provision A.6.7 requires all independent non-executive directors and non-executive directors should attend general meetings of listed issuers. Mr. Chen Weixi and Mr. Yip Heon Keung, non-executive Directors, were unable to attend the annual general meeting held on 5 August 2015 due to their personal commitments.

GC Code provision C.1.1 provides management should provide sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval. CG Code provision C.1.2 provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under rule 5.01 and Chapter 17. The Board has been unable to access the complete sets of book and records together with the supporting documents of the De-Consolidated Subsidiaries for the period from 1 January 2016 to 31 March 2016 due to the lack of cooperation by the management of the De-Consolidated Subsidiaries. Following the De-Consolidation, the Company can continue to provide the complete set of monthly update to the Board.

INTERNAL CONTROL

The Board is responsible for the maintenance of a sound and effective internal control system of the Group and has established the Group's internal control policies and procedures for monitoring the internal control system. The internal control system of the Group is designed to achieve business objectives, safeguard assets against unauthorized use or disposition, ensure maintenance of proper books and records for the provision of reliable financial information for internal use or publication, and ensure compliance with relevant legislations and regulations. The management and various departments conduct periodic self-assessment of the effectiveness of the internal control policies and procedures. Besides, the Board reviews at least annually the overall effectiveness of the Group's internal control system.

However, certain internal controls were not enforced effectively in the De-Consolidated Subsidiaries during the year under review. Reference is made to the announcement of the Company dated 24 June 2016. In light of the issue associated with the non-cooperation of the management of the De-Consolidated Subsidiaries (the "Identified Issue"), the Board has resolved to take legal action in respect of the Identified Issue and financial adviser and legal adviser have been appointed in this connection. The Board has been taking all reasonable steps and has been using its best endeavours to protect interest of the Group and try to resolve the Identified Issue. The Company will keep the shareholders and potential investors informed of any material development in this connection as and when appropriate.

Review of the internal control system has been performed by executive management and the Directors after the Identified Issue was brought to the attention of the Board. Based on review of the financial and control situation of the members of the Group other than the De-Consolidated Subsidiaries, the Board is satisfied that there are no other significant governance matters unrelated to the Identified Issue that have had a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. Besides internal review, the Company may also engage independent internal control specialists to carry out an internal control review when considered necessary. Improvement actions will be carried out and monitored by the management of the Company and follow-up review will be conducted to ensure the improvement actions are efficiently and effectively in force.

The Board is of the view that the Group's internal control system is effectively implemented within the Group other than in the De-Consolidated Subsidiaries, with room for improvement, to achieve the Group's internal control objectives. Going forward, the Board will oversee the Company's risk management and internal control systems on an ongoing basis. It will ensure that the Company's risk management and internal control systems are properly designed and implemented and a review of the effectiveness of such systems will be conducted at least annually. The Board will also ensure that adequate resources will be allocated to the Company's risk management and internal control functions to achieve the Group's internal control objectives.

AUDIT COMMITTEE

The Company established its audit committee ("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 and internal control procedures, review of the Group's financial information and review of the Group's relationship with its auditors.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Poon Yan Wai (Chairman of the Audit Committee), Mr. Xu Xiaoping and Mr. Lam Kwok Cheong and one non-executive Director, namely Mr. Chen Weixi.

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

REMUNERATION COMMITTEE

In accordance with the CG Code, the Company established its 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 remuneration policy and structure for 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 its 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.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all our beloved shareholders, respectable customers, dedicated vendors and professional bankers for their support over the year and look forward to a closer cooperation in coming years. I would also like to personally thank our management and staff for their hard work and commitment to the Group and cheer them as we tackle future challenges successfully.

By Order of the Board
Xu Zhigang
Chairman and Executive Director

Hong Kong, 27 June 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. Yeung Yiu Bong Anthony *(Executive Director)*
Mr. Chen Weixi *(Non-Executive Director)*
Mr. Song Xuxi *(Non-Executive Director)*
Mr. Yip Heon Keung *(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.