



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2016

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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 Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

** For identification purpose only*

HIGHLIGHTS

- Revenue of the Group for the three months ended 30 June 2016 amounted to approximately HK\$4,378,000, representing an increase of approximately 94.7% as compared to the corresponding period in the previous financial year.
- The Group's gross profit for the three months ended 30 June 2016 was approximately HK\$1,346,000, decreased by approximately HK\$547,000 compared with the same period of last financial year.
- Loss attributable to equity holders of the Company for the three months ended 30 June 2016 amounted to approximately HK\$3,867,000, which represented a decrease in loss of approximately HK\$1,379,000 compared with that for the three months ended 30 June 2015.
- The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2016.

UNAUDITED CONSOLIDATED RESULTS

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

	Notes	For the three months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	2	4,378	2,249
Cost of sales		(3,032)	(356)
Gross profit		1,346	1,893
Other income and gains		191	14
Selling expenses		(625)	(929)
Administrative expenses		(4,745)	(5,987)
Other expenses		(1)	(227)
Finance costs		—	(10)
Loss before tax		(3,834)	(5,246)
Income tax expense	3	(33)	—
Loss for the period attributable to equity holders of the Company		(3,867)	(5,246)
Other Comprehensive expense:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(635)	—
Total comprehensive expense for the period attributable to equity holders of the Company		(4,502)	(5,246)
Loss per share attributable to equity holders of the Company	4		
Basic		HK(0.35) cents	HK(0.66) cents
Diluted		N/A	N/A

Notes:

1. BASIS OF PREPARATION

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

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 change in significant accounting policies and no significant effect on the financial results of the current period. There is no prior period adjustment required.

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

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

2. REVENUE AND SEGMENTAL INFORMATION

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

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

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

For the three months ended 30 June 2016	Wireless value-added services <i>HK\$'000</i>	Trading and retailing of jewelry <i>HK\$'000</i>	Lending business <i>HK\$'000</i>	Pharmaceutical and healthcare products <i>HK\$'000</i>	Consolidation <i>HK\$'000</i>
REVENUE					
External sales	—	1,177	809	2,392	4,378
RESULTS					
Segment results (loss)/profit	—	(537)	651	(166)	(52)
Unallocated income					12
Unallocated expenses					(3,794)
Loss before tax					(3,834)

For the three months ended 30 June 2015	Wireless valued-added services <i>HK\$'000</i>	Trading and retailing of jewelry <i>HK\$'000</i>	Lending business <i>HK\$'000</i>	Pharmaceutical and healthcare products <i>HK\$'000</i>	Consolidation <i>HK\$'000</i>
REVENUE					
External sales	2,249	—	—	—	2,249
RESULTS					
Segment results profit	968	—	—	—	968
Unallocated expenses					(6,214)
Loss before tax					(5,246)

3. INCOME TAX EXPENSE

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the three months ended 30 June 2016. Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the three months ended 30 June 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.

	For the three months ended 30 June	
	2016 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)
Current — Hong Kong:		
Charged for the period	33	—
Total tax charged for the period	33	—

4. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the unaudited consolidated loss for the three months ended 30 June 2016 attributable to equity holders of the Company of approximately HK\$3,867,000 (for the three months ended 30 June 2015: HK\$5,246,000), and the number of ordinary shares of approximately 1,095,360,000 (weighted average number for the three months ended 30 June 2015: 796,983,000) in issue during the period under review.

No diluted loss per share is calculated as there were no dilutive potential equity shares as at 30 June 2016 and 30 June 2015. Hence, the basic and diluted loss per share were the same for both years.

5. RESERVES

	Share premium account <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i> <i>(Note a)</i>	Available- for-sale financial assets equity reserve <i>HK\$'000</i> <i>(Note b)</i>	Foreign currency translation reserve <i>HK\$'000</i> <i>(Note c)</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2016 (audited)	455,438	3,349	6,760	14,766	316	(519,211)	(38,582)
Loss for the period (unaudited)	—	—	—	—	—	(3,867)	(3,867)
Exchange difference on translation of foreign operations (unaudited)	—	—	—	(635)	—	—	(635)
Total comprehensive expense for the period (unaudited)	—	—	—	(635)	—	(3,867)	(4,502)
At 30 June 2016 (unaudited)	<u>455,438</u>	<u>3,349</u>	<u>6,760</u>	<u>14,131</u>	<u>316</u>	<u>(523,078)</u>	<u>(43,084)</u>
At 1 April 2015 (audited)	378,628	3,349	—	14,787	611	(487,852)	(90,477)
Loss for the period (unaudited)	—	—	—	—	—	(5,246)	(5,246)
Total comprehensive expense for the period (unaudited)	—	—	—	—	—	(5,246)	(5,246)
Equity-settled share option arrangements (unaudited)	—	—	—	—	39	—	39
Exercise of share option (unaudited)	464	—	—	—	(288)	—	176
At 30 June 2015 (unaudited)	<u>379,092</u>	<u>3,349</u>	<u>—</u>	<u>14,787</u>	<u>362</u>	<u>(493,098)</u>	<u>(95,508)</u>

Notes:

(a) Statutory reserve fund

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

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

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

(c) Foreign currency translation reserve

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

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Following the diversification of the Group's business to the jewelry trading and retailing business and the lending business in the second half of the year ended 31 March 2016, the Group further diversified to pharmaceutical and healthcare products business ("New Businesses") during the three months ended 30 June 2016. Due to the expiry of contracts with telecommunication operator in the PRC during the year ended 31 March 2016, there is no revenue from the wireless value-added services ("WVAS") in this quarter. The introduction of the New Businesses has compensated the reduction in revenue from WVAS.

As a result, the Group's revenue for the three months ended 30 June 2016 amounted to approximately HK\$4,378,000, representing an increase of approximately 94.7% as compared to the corresponding period of last financial year.

Cost of sales and gross profit margin

As a result of entering into the trading and retailing of jewelry business and the pharmaceutical and healthcare products business, the cost of sales of the Group increased from approximately HK\$356,000 for the three months ended 30 June 2015 to approximately HK\$3,032,000 for the three months ended 30 June 2016, representing an increase of approximately 752%. As the Group has revenue generated from the New Businesses which have a lower gross profit margin, the overall gross profit margin decreased from approximately 84% for the three months ended 30 June 2015 to 31% for the three months ended 30 June 2016.

Other income and gains

Other income and gains during the three months ended 30 June 2016 amounted to approximately HK\$191,000, which was increased by approximately HK\$177,000 as compared with that in the corresponding period of 2015.

Expenses

Selling expenses incurred for the three months ended 30 June 2016 was approximately HK\$625,000, reduced by approximately 32.7% as compared with that in the corresponding period of 2015. The higher selling expense incurred for the three months ended 30 June 2015 which was due to the efforts made for the purpose of negotiating WVAS contracts.

Administrative expenses were reduced by approximately HK\$1,242,000, from approximately HK\$5,987,000 for the three months ended 30 June 2015 to approximately HK\$4,745,000 for the three months ended 30 June 2016. Such decrease was mainly due to the reduction in the operating scale of the WVAS.

Total equity

Due to the loss in the period under review, as at 30 June 2016, the Group has a total equity amounted to approximately HK\$66,452,000 (as at 31 March 2016: HK\$70,954,000) and net current assets amounted to approximately HK\$38,631,000 (as at 31 March 2016: HK\$42,935,000).

Liquidity and financial resources

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

As at 30 June 2016, total cash and cash equivalents of the Group amounted to approximately HK\$6,848,000 (as at 31 March 2016: HK\$28,761,000). As at 30 June 2016 and 31 March 2016, the Group has not borrowed any loan from third party.

The decrease in cash and cash equivalents was mainly due to the increase in trade receivable for lending, pharmaceutical and healthcare products businesses, as well as the increase in prepayments, deposits and other receivables.

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 30 June 2016, no related hedges were made by the Group (as at 31 March 2016: nil).

Contingent liabilities

As at 30 June 2016, the Group had no material contingent liabilities (as at 31 March 2016: nil).

Significant investments, acquisitions or disposals

Except for the conditional acquisition of the entire interest in and shareholder's loans to Sino Yao Shang Technology Limited, which had been disclosed in the Company's announcement dated 31 May 2016 and had not been completed as at the date of this announcement, the Group does not have any material acquisition or disposal which requires disclosure during the three months ended 30 June 2016.

Capital structure

The shares of the Company were listed on GEM on 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 is conditional upon the satisfaction of the conditions precedent.

The Group's capital structure is sound with healthy working capital management and strong operational cash flow. As at 30 June 2016, the Group's total equity amounted to approximately HK\$66,452,000, representing a decrease of 6.3% compared with that as at 31 March 2016 (31 March 2016: HK\$70,954,000). As at 30 June 2016, the Group's cash and cash equivalents totaled approximately HK\$6,848,000 (as at 31 March 2016: HK\$28,761,000). The current ratio (note 1) and quick ratio (note 2) of the Group as at 30 June 2016 was 2.14 (as at 31 March 2016: 2.34) and 1.74 (as at 31 March 2016: 1.86), respectively.

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

Note: (1) $\text{Current Ratio} = \text{Current Assets} \div \text{Current Liabilities}$

Note: (2) $\text{Quick Ratio} = (\text{Current Assets} - \text{Inventories}) \div \text{Current Liabilities}$

Event after the Reporting Period

There was no particular event after the reporting period for the three months ended 30 June 2016.

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 three months ended 30 June 2016.

In addition, the Group had set up a PRC company for WVAS which will include but not limit to develop a new platform on musical search engine.

Lending business

During the previous financial year ended 31 March 2016, the Group had commenced a lending business in Hong Kong to diversity the Group's income sources by acquiring a group of companies with a valid money lending licence in Hong Kong. The lending business continued to grow and contributed positive results to the Group during the current period under review. The Group would continue to monitor the market and environment for further possible expansion opportunities.

As at 30 June 2016, an indirect wholly-owned subsidiary of the Group — SZ Enterprise Union Finance Limited, has outstanding receivable loan in principal amount of HK\$13,000,000 each under the loan agreements of the borrowers, namely Mr. Wu, Yuzhao and Mr. Xu Weiqiang, in aggregate amounting to HK\$26,000,000 (the "Loans"), drawdown on 21 March 2016. The final repayment date of the Loans is 21 September 2016, but early repayment is allowed, with an interest at a rate of 10% per annum. 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 repayment of the principal.

The Group has conducted internal risk assessment on these loan arrangements. Having made all reasonable enquiries, to the best knowledge, information and belief of the Directors, both of the borrowers have substantial investments and assets in the PRC which support their respective financial capability to repay the Loans, no securities or collaterals was sought. The purpose of the Loans is to enhance their short-term cash flow.

Trading and retailing of jewelry business

During the previous financial year ended 31 March 2016, the Group had also expanded into the trading and retailing of jewelry business by acquiring a group of jewelry companies which are mainly based in Shenzhen, the PRC. Such acquisition was to broaden the Group's income sources and so as to compensate the effect of the reduction of income attributable to the WVAS.

Because of the devaluation of the PRC's Renminbi, the income from jewelry business was affected. The Group incurred loss in this segment due to the maintenance of the selling and administration expense in the PRC.

Pharmaceutical and healthcare products business

Further to the commencement of pharmaceutical and healthcare products business, the Group is expected to benefit from making inroads into a market with a population of 1.4 billion in the PRC. Despite that the current economic conditions in the PRC is challenging, it is believed that this could turn out to be an opportunity for the Group to develop a sound market share there. The Group is currently researching on developing a feasible business model in the PRC. As the Group has just made effort in developing this business segment, the pharmaceutical and healthcare products business in China is still at the development stage.

Nevertheless, the Group would continue to adopt a cautious approach to balance between its business development process and our 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 (the "De-Consolidation").

The Board is taking preparatory steps for legal actions against the relevant party(ies) to remedy the situation arising from the loss of control over the De-Consolidated Subsidiaries.

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

- (a) to review and assess whether there is any existing internal control weaknesses 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 ("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 weaknesses which have 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 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 June 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 Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to the code of conduct regarding securities transactions by Directors adopted by the Company, notified to the Company and the Stock Exchange, were as follows:

Long positions in the ordinary shares of the Company

Name of Director	Notes	Capacity and nature of interest	Number of ordinary shares	Percentage of the Company's issued share capital <i>Note (4)</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 entire 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 the 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 3,000,000 share of the Company.
- (4) Based on 1,095,360,500 shares of the Company in issue as at 30 June 2016.

Save as disclosed above, as at 30 June 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 Stock 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 Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

The total number of shares 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 2011 AGM.

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

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Shareholders. Options granted to substantial shareholders or independent non-executive Directors in excess of 0.1% of the Company's share capital and with an aggregate value in excess of HK\$5 million must be approved in advance by the Shareholders. The 2011 Scheme does not provide for any minimum period for holding of options or any performance target before exercise of options.

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

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>
	At 1 April 2016	Transferred during the period	Exercised during the period	Lapsed during the period	At 30 June 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><u>2,700,000</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>2,700,000</u></u>			

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 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 or underlying shares of the Company

Name of shareholder	Notes	Capacity and nature of interest	Number of ordinary shares or underlying shares	Percentage of the Company's issued share capital <i>Note (3)</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%

Notes:

- (1) Dynamic Peak Limited is a company incorporated in the British Virgin Islands and its entire 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 the 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) Based on 1,095,360,500 shares of the Company in issue as at 30 June 2016.

Save as disclosed above, as at 30 June 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 three months ended 30 June 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 three months ended 30 June 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.

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, namely Mr. Xu Zhigang.

NOMINATION COMMITTEE

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

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

By Order of the Board
Prosten Technology Holdings Limited
Xu Zhigang
Chairman

Hong Kong, 12 August 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.