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PROSTEN HEALTH HOLDINGS LIMITED

長達健康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8026)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2017

Reference is made to the annual results announcement of Prosten Health Holdings Limited (the “**Company**”) for the year ended 31 March 2017 dated 26 June 2017 (the “**Announcement**”) and the Company’s annual report for the year ended 31 March 2017 (the “**Report**”). Unless otherwise defined herein, terms used in this announcement shall have the same meanings as those defined in the Announcement and the Report.

Further to the information disclosed in the Announcement and the Report, the Company would like to supplement the following additional information:

FURTHER INFORMATION OF THE GROUP’S BUSINESS

(I) Jewelry trading and retailing business (the “Jewelry Business”)

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

The Group’s jewelry retailing business was conducted mainly through an offline store located in Wongtee Plaza, Futian District, Shenzhen, the PRC, which is a franchised store of the Luk Fook Jewellery brand. The store is required to select goods from the suppliers

designated by Luk Fook Jewellery. Upon quality inspection by state-approved jewelry identification center and being claimed to the store by the Group's staff, the goods are immediately entered into store sales system for sale. Most of the jewelry goods purchased by the store from the suppliers were finished jewelry products, which are generally not required to undergo reprocessing before sale. Moreover, during the year under review, the Group's sale staff also valet-procured two diamond jewelries and a batch of gold jewelries in Hong Kong for major customers.

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

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

(II) Pharmaceutical and healthcare products business (the “Pharmaceutical Business”)

During the year under review, the Group acquired 100% equity interest in Sino Yao Shang Technology Limited, commencing the operation of its Pharmaceutical Business.

(i) Sales of pharmaceuticals, healthcare products and pharmaceutical consumables:

During and subsequent to the year under review, the Group has established business relationships with a group of target hospitals, pharmaceutical companies and chain pharmacies in western Guangdong (mainly the areas of Zhanjiang and Maoming in Guangdong Province, including Zhanjiang city, Lianjiang, Wuchuan, Suixi County, Xuwen County, Maoming city, Dianbai District, Huazhou, Xinyi and Gaozhou),

which are mainly related to the distribution of pharmaceuticals and pharmaceutical consumables to such hospitals as well as the supply of pharmaceuticals and healthcare products to such pharmaceutical companies and chain pharmacies.

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

In regard to the sales of pharmaceuticals and healthcare products, the Group intends to firstly devote greater resources to penetrate into the pharmaceutical market of western Guangdong, with an aim to increase the sales to its existing customers. Moreover, it will work diligently to expand hospital and pharmacy customer base in Zhanjiang and Maoming regions before considering entering into the pharmaceutical markets of other regions in Guangdong Province and beyond.

(ii) *Cultivation of raw materials for Chinese herbal medicine:*

During the year under review, the Group contracted approximately 90 mu of farmland in Dianbai District, Maoming, Guangdong Province, the PRC with a contracting term of approximately 12 years. Among which, approximately 60 mu of the farmland

were planted with longan trees, which were also under the contracting. During the contracting period, the longan trees are cultivated by the Group, whereas the relevant revenue is also attributable to the Group. The Group has purchased approximately 30,000 seedlings of radix millettiae speciosae (together with longan trees, the “Crops”), which are cultivated in the remaining 30 mu of the farmland. The Crops are currently under cultivation and in good growing condition. It is expected that there will be harvests of longan every year starting from the year ending 31 March 2018; whereas radix millettiae speciosae, with a growth period of 3 to 5 years, is expected to be harvested starting from the year ending 31 March 2019 and requires re-cultivation upon full harvest completion. The longan and radix millettiae speciosae plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has processes in place aimed to minimise those risks, including regular forest health inspections and industry pest and disease surveys. Upon harvests of the Crops, the Group intends to sell the relevant agricultural produces to specialised farmers cooperatives, Chinese herbal medicine sales companies, TCM decoction pieces factories and individual dealers. The Group will decide the next cultivation plan of Chinese herbal medicine according to the actual results of radix millettiae speciosae and longan cultivations.

(iii) Sales of health food:

During the year under review, the Group conducted the sales business of health food including health protection tea leaves and walnut jujube in Shenzhen and Maoming region of Guangdong province. For tea leaves business, the Group primarily acts as the trader to procure tea leaves from tea leaf distributors or manufacturers and store them in specialised warehouses secured by designated staff for subsequent external sales in batches. The Group does not set up physical tea leaf stores to sell tea leaves, but rather depends mainly on recruiting experienced tea leaf salespeople to sell the tea leaves to targeted corporate and individual customers. For walnut jujube business, the Group mainly commissions third party factories for production, while the products are branded with the Group’s self-owned trademark “十三益”. Packaged products are then sold to distributors who will distribute the same to sales channels such as supermarket chains, thereby achieving terminal sales. Given that the health food business is the auxiliary business of the Group’s pharmaceutical and healthcare products business, the Group will adjust the business volume in accordance with market demands and determine the resources to be further allocated based upon the business volume from time to time.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, revenue from the Group's five largest customers, which were customers of the Group's Jewelry Business, Pharmaceutical Business and lending business, accounted for approximately 77% (2016: 99%) of the Group's total revenue for the year. The revenue from the largest customer, who was a customer of the Group's Jewelry Business, accounted for approximately 28% (2016: 39%) of the Group's total revenue.

During the year under review, supplies from the Group's five largest suppliers, which were suppliers of the Group's Jewelry Business and Pharmaceutical Business, accounted for approximately 21% (2016: 20%) of the Group's total purchases. Purchases from the Group's largest supplier, which was a supplier of the Group's Jewelry Business, accounted for approximately 18% (2016: 17.3%) of the Group's total purchases.

FURTHER DETAILS OF REVENUE FROM THE JEWELRY BUSINESS AND PHARMACEUTICAL BUSINESS

(I) Revenue from the Jewelry Business

For the year ended 31 March 2017	Retailing of jewelry HK\$'000	Wholesaling of jewelry HK\$'000	Total HK\$'000
Revenue	8,254	12,961	21,215

(II) Revenue from the Pharmaceutical Business

For the year ended 31 March 2017	Sale of pharmaceutical products HK\$'000	Sale of cultivated products HK\$'000	Sale of health food HK\$'000	Total HK\$'000
Revenue	3,370	–	1,526	4,896

By order of the Board
Prosten Health Holdings Limited
Xu Zhigang
Chairman

Hong Kong, 14 July 2017

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. Wen Xingcheng (*Executive Director*)

Mr. Chen Weixi (*Non-Executive Director*)

Mr. Poon Yan Wai (*Independent Non-Executive Director*)

Mr. Xu Xiaoping (*Independent Non-Executive Director*)

Mr. Lam Kwok Cheong (*Independent Non-Executive Director*)

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

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