



## **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 2013**

#### **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.**

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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 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 purposes only

## **HIGHLIGHTS**

- Revenue of the Group for the year ended 31 March 2013 amounted to approximately HK\$57.2 million, representing a decrease of approximately 15.0% as compared to last year.
- The Group attained gross profit of approximately HK\$27.3 million for the year ended 31 March 2013, representing a decrease of approximately 22.4% as compared to last year.
- The loss attributable to equity holders of the Company for the year ended 31 March 2013 amounted to approximately HK\$29.4 million increased by approximately 15.3% as compared to last year.
- The Board does not recommend the payment of any dividend for the year ended 31 March 2013.

## RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2013 together with the comparative audited figures for the year ended 31 March 2012 as follows:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2013

	<i>Notes</i>	<b>2013</b> <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>57,161</b>	67,244
Cost of sales		<u>(29,840)</u>	<u>(32,033)</u>
<b>Gross profit</b>		<b>27,321</b>	35,211
Other income and gains	4	<b>2,333</b>	1,274
Selling expenses		<b>(15,149)</b>	(12,552)
Administrative expenses		<b>(38,242)</b>	(42,917)
Other expenses		<b>(5,444)</b>	(4,608)
Impairment loss recognised in respect of goodwill		—	(188)
Finance costs	5	<u>(263)</u>	<u>(69)</u>
<b>Loss before tax</b>	6	<b>(29,444)</b>	(23,849)
Income tax credit/(expense)	7	<u>67</u>	<u>(1,626)</u>
<b>Loss for the year attributable to equity holders of the Company</b>		<b>(29,377)</b>	(25,475)
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		<u>707</u>	<u>3,301</u>
<b>Total comprehensive expense for the year</b>		<u><b>(28,670)</b></u>	<u>(22,174)</u>
<b>Loss per share attributable to equity holders of the Company</b>	8		
Basic		<u><b>(HK3.88) cents</b></u>	<u>(HK3.37) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2013

	<i>Notes</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		3,907	4,043
Investment property		4,490	3,444
Deposits		—	717
Available-for-sale investments		831	826
Goodwill		—	—
Deferred tax assets		1,396	1,303
Total non-current assets		<u>10,624</u>	<u>10,333</u>
<b>CURRENT ASSETS</b>			
Trade receivables	9	13,431	17,176
Prepayments, deposits and other receivables		10,866	7,147
Due from Directors		655	—
Pledged deposits	10	12,740	247
Cash and cash equivalents		39,050	67,135
Total current assets		<u>76,742</u>	<u>91,705</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	12,634	3,407
Other payables and accruals		9,443	14,924
Due to Directors		—	741
Interest-bearing bank borrowing, secured	12	11,400	—
Tax payable		3,915	4,708
Total current liabilities		<u>37,392</u>	<u>23,780</u>
<b>NET CURRENT ASSETS</b>		<u>39,350</u>	<u>67,925</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>49,974</u>	<u>78,258</u>
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liability		499	493
<b>Net assets</b>		<u>49,475</u>	<u>77,765</u>
<b>EQUITY</b>			
<b>Total equity attributable to equity holders of the Company</b>			
Share capital	13	75,635	75,635
Reserves		(26,160)	2,130
<b>Total equity</b>		<u>49,475</u>	<u>77,765</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2013

## Attributable to equity holders of the Company

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Reserves sub-total <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2012	75,635	372,468	3,349	13,612	7,757	(395,056)	2,130	77,765
Loss for the year	—	—	—	—	—	(29,377)	(29,377)	(29,377)
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	—	—	—	707	—	—	707	707
Total comprehensive income/(expense) for the year	—	—	—	707	—	(29,377)	(28,670)	(28,670)
Equity-settled share option arrangements	—	—	—	—	380	—	380	380
Transfer of share option reserve on the forfeited share options	—	—	—	—	(344)	344	—	—
At 31 March 2013	<u>75,635</u>	<u>372,468</u>	<u>3,349</u>	<u>14,319</u>	<u>7,793</u>	<u>(424,089)</u>	<u>(26,160)</u>	<u>49,475</u>
At 1 April 2011	75,635	372,468	770	10,311	7,952	(368,040)	23,461	99,096
Loss for the year	—	—	—	—	—	(25,475)	(25,475)	(25,475)
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	—	—	—	3,301	—	—	3,301	3,301
Total comprehensive income/(expense) for the year	—	—	—	3,301	—	(25,475)	(22,174)	(22,174)
Equity-settled share option arrangements	—	—	—	—	843	—	843	843
Transfer of share option reserve on the forfeited share options	—	—	—	—	(1,038)	1,038	—	—
Transfer to statutory reserve fund	—	—	2,579	—	—	(2,579)	—	—
At 31 March 2012	<u>75,635</u>	<u>372,468</u>	<u>3,349</u>	<u>13,612</u>	<u>7,757</u>	<u>(395,056)</u>	<u>2,130</u>	<u>77,765</u>

Notes:

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all 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 and the disclosure requirements of the Companies Ordinance, Laws of Hong Kong (Chapter 32). They have been prepared under the historical cost convention, except for investment property, which has been measured at fair value. These summary of consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

## 2.1 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 HKAS 12	Deferred Tax – Recovery of Underlying Assets
Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets

The application of the above revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in this summary of consolidated financial statements.

## 2.2 HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not early applied the following new and revised HKFRSs which are relevant to the Group that have been issued but are not yet effective in these summary of consolidated financial statements.

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income <sup>1</sup>
HKAS 19 (Revised)	Employee Benefits <sup>2</sup>
HKAS 27 (Revised)	Separate Financial Statements <sup>2</sup>
HKAS 28 (Revised)	Investments in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle Issued in June 2012 <sup>2</sup>
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>2</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities <sup>3</sup>

<sup>1</sup> Effective for annual period beginning on or after 1 July 2012

<sup>2</sup> Effective for annual period beginning on or after 1 January 2013

<sup>3</sup> Effective for annual period beginning on or after 1 January 2014

<sup>4</sup> Effective for annual period beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on its results of operations and financial position unless specifically stated below. The Group expects to apply these new and revised HKFRSs when they first become effective.

### **Amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income”**

The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

### **HKFRS 9 “Financial Instruments”**

The application of HKFRS 9 might affect the classification, measurement and presentation of the Group’s financial assets and financial liabilities.

### **HKFRS 13 “Fair Value Measurement”**

The application of HKFRS 13 might affect the amounts reported and result in more extensive disclosures in the consolidated financial statements of the Group.

### **New and revised standards on consolidation, joint arrangements, associates and disclosures**

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (revised) and HKAS 28 (revised). In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance in HKFRS 10 on the application of these five HKFRSs for the first time.

The Directors anticipate that the application of these five standards may not have a significant impact on the results and the financial position of the Group.

### 3. OPERATING SEGMENT INFORMATION

The Group has only one single operating segment as the Group is principally engaged in wireless value-added services and related business which is the basis to allocate resources and assess performance. No geographical information is presented as the Group's customers and operations are located in Mainland China.

#### Information about major customers

During the year ended 31 March 2013, revenues of approximately HK\$20,337,000 (2012: HK\$17,530,000) and approximately HK\$15,027,000 (2012: HK\$24,880,000) were derived from services rendered to two (2012: two) customers.

### 4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of services rendered during the year.

An analysis of revenue, other income and gains is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<b>Revenue</b>		
Services income	<u>57,161</u>	<u>67,244</u>
<b>Other income and gains</b>		
Bank interest income	528	548
Investment income	477	487
Net foreign exchange gains	—	185
Gain on disposal of plant, property and equipment	—	7
Fair value gain on an investment property	991	17
Others	<u>337</u>	<u>30</u>
	<u>2,333</u>	<u>1,274</u>

### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interest on:		
bank loan	165	—
bank overdrafts	98	68
Interest on a finance lease	<u>—</u>	<u>1</u>
	<u>263</u>	<u>69</u>

## 6. LOSS BEFORE TAX

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

	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Cost of services provided*	<b>29,840</b>	32,033
Depreciation*	<b>1,504</b>	2,104
Minimum lease payments under operating leases in respect of:		
Land and buildings	<b>2,583</b>	2,655
Motor vehicles	<b>111</b>	28
Auditors' remuneration	<b>550</b>	500
Employee benefits expense (including Directors' remuneration)*#:		
Wages, salaries, allowances and benefits in kind	<b>23,628</b>	24,978
Equity-settled share option arrangements	<b>380</b>	843
Pension scheme contributions (defined contribution schemes)	<b>3,920</b>	4,026
Severance payments	<b>155</b>	902
	<b>28,083</b>	30,749
Foreign exchange differences, net	<b>53</b>	(185)
Write-off of property, plant and equipment	<b>—</b>	66
Impairment allowances on trade receivables	<b>730</b>	—
Gain on disposal of property, plant and equipment	<b>—</b>	(7)
Impairment loss recognised in respect of goodwill	<b>—</b>	188
Research and development costs#	<b>4,646</b>	4,342
Bank interest income	<b>(528)</b>	(548)
Investment income	<b>(477)</b>	(487)
Fair value gain on an investment property	<b>(991)</b>	(17)

\* The cost of services provided includes depreciation and employee benefits expense totalling approximately HK\$4,412,000 for the year ended 31 March 2013 (2012: HK\$4,345,000), which is also included in the respective total amount separately disclosed above.

# The research and development costs for the year includes approximately HK\$4,646,000 (2012: HK\$4,342,000) relating to employee benefits expense for research and development activities, which is also included in the employee benefits expense separately disclosed above.

## 7. INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the year ended 31 March 2013. The under-provision of Hong Kong profits tax represented Hong Kong profits tax calculated at the rate of 16.5% on the assessable profits arising in Hong Kong during the year ended 31 March 2012. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	<b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
Current — Hong Kong		
Under-provision in prior years	<b>1</b>	—
Current — Elsewhere		
Charge for the year	<b>6</b>	6
Over-provision in prior years	—	(748)
Deferred	<b>(74)</b>	2,368
	<hr/>	<hr/>
Total tax (credit)/charged for the year	<b>(67)</b>	1,626
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## 8. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to equity holders of the Company of approximately HK\$29,377,000 (2012: HK\$25,475,000), and the numbers of ordinary shares of 756,355,000 (2012: 756,355,000) in issue during the year.

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 31 March 2013 and 2012.

## 9. TRADE RECEIVABLES

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

	<b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
Within 3 months	<b>9,943</b>	15,073
4 to 6 months	<b>2,020</b>	1,728
7 to 12 months	<b>927</b>	229
Over 1 year	<b>541</b>	146
	<hr/>	<hr/>
	<b>13,431</b>	17,176
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The Group's trade receivables, which generally have credit terms of one month to three months (2012: one month to three months) pursuant to the provisions of the relevant contracts, are recognised based on services rendered 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.

## 10. PLEDGED DEPOSITS

Pledged deposits represent deposits pledged to banks to secure a bank loan and other banking facilities granted to the Group. The pledged bank deposits will be released upon the repayment of relevant bank loan and other banking facilities and are therefore classified as current assets.

## 11. TRADE PAYABLES

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 3 months	3,945	—
4 to 6 months	5,057	—
7 to 12 months	165	268
Over 1 year	<u>3,467</u>	<u>3,139</u>
	<u><u>12,634</u></u>	<u><u>3,407</u></u>

The trade payables are non-interest bearing and are normally settled on three-month terms.

## 12. INTEREST-BEARING BANK BORROWING, SECURED

At 31 March 2013, the Group had a secured bank borrowing with remaining balance of approximately HK\$11,400,000 (2012: nil). The bank borrowing is secured by a pledge deposit of approximately HK\$12,500,000 and bears interest at HIBOR plus 2% (2012: n/a) per annum and repayable in one year in one lump sum on the final maturity date.

## 13. SHARE CAPITAL

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
<i>Authorised:</i>		
2,500,000,000 (2012: 2,500,000,000) ordinary shares of HK\$0.10 each	<u>250,000</u>	<u>250,000</u>
<i>Issued and fully paid:</i>		
756,355,000 (2012: 756,355,000) ordinary shares of HK\$0.10 each	<u>75,635</u>	<u>75,635</u>

## **DIVIDEND**

The Board does not recommend the payment of any dividend for the year ended 31 March 2013 (2012: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

#### *Revenue*

The Group's goal is to bring to market overall wireless digital entertainment solutions. As the operational environments for the Group's traditional wireless music search services are going through continuous radical changes, the Group not only need to preserve its core business but must also proactively consider an overarching strategy of diversification to meet the challenges.

During recent years, telecommunication operators in the People's Republic of China ("PRC") have undergone changes in policies and thus the charging model of the Group's mobile music search services via network of China Mobile Limited ("China Mobile") has been changed. Currently, revenue is derived pursuant to the Group's operational support services agreements for which the Group is charging China Mobile at a fixed technical supporting service income. The revenue recorded therefrom is lower than the revenue in the year ended 31 March 2012, which was derived from a cooperation agreement with China Mobile. Please refer to previous announcements and financial reports of the Group for details of the cooperation agreement and technical support services agreements with China Mobile and their financial impacts.

In spite of high uncertainty in the business environment in the PRC, after years of incubation, the Group has made considerable progress on the deployment of new products. The revenue from new products this year is encouraging and has successfully smoothed out the downward trend brought along by the impact from strict operating policies imposed by the PRC telecommunication operators and changes in charging models. As a result, the Group recorded revenue amounted to approximately HK\$57.2 million for the year ended 31 March 2013, representing a decrease of approximately 15.0% compared with 2012 (2012: HK\$67.2 million).

#### *Cost of Sales*

As a result of decline in revenue, cost of sales of the Group decreased from approximately HK\$32.0 million for the year ended 31 March 2012 to approximately HK\$29.8 million for the year ended 31 March 2013, with a year-to-year decrease of approximately 6.8%.

### ***Gross Profit***

As a result of the drop of revenue, the Group's gross profit for the year ended 31 March 2013 amounted to approximately HK\$27.3 million, represented a drop of approximately 22.4% as compared with that for the year ended 31 March 2012 (2012: HK\$35.2 million).

Rigorous market competitions and introduction of new products have trimmed the Group's gross profit from approximately 52.4% for the year ended 31 March 2012 to approximately 47.8% for the year ended 31 March 2013.

### ***Other Income and Gains***

During the year, other income and gains amounted to approximately HK\$2.3 million, which was increased by approximately HK\$1.0 million as compared with that of 2012 (2012: HK\$1.3 million). The increase was due to increase in fair value gain on an investment property.

### ***Selling Expenses***

For the year ended 31 March 2013, as a result of increasing business development activities, the Group's selling expenses increased by approximately 20.7% to approximately HK\$15.1 million (2012: HK\$12.6 million).

### ***Administrative Expenses***

Administrative expenses experienced a decrease of approximately 10.9% from approximately HK\$42.9 million for the year ended 31 March 2012 to approximately HK\$38.2 million for the year ended 31 March 2013 which was mainly due to more cautious and tighter control on expenses.

### ***Other Expenses***

Other expenses represented expenses for research and development and expenses of other non-operating activities. Other expenses increased from approximately HK\$4.6 million in 2012 to approximately HK\$5.4 million in 2013 which was mainly due to the increase in staff costs for products development.

### ***Financial Position***

The Group has remained at a sound financial position. As at 31 March 2013, the total equity of the Group amounted to approximately HK\$49.5 million (2012: HK\$77.8 million) and the Group's net current assets amounted to approximately HK\$39.4 million (2012: HK\$67.9 million). The current ratio (current assets to current liabilities) as at 31 March 2013 was approximately 2.1 (2012: 3.9).

The decrease in total equity, net current assets and current ratio was mainly due to the loss incurred during the year ended 31 March 2013.

### ***Liquidity, Financial Resources and Gearing Ratio***

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised. Cash is generally deposited with banks and denominated mostly in Renminbi and Hong Kong dollars.

During the year ended 31 March 2013, the Group has financed its operations by revenue generated from its operations and a new bank loan. As at 31 March 2013, the Group's cash and bank balances (including pledged bank deposits) amounted to approximately HK\$51.8 million (2012: HK\$67.4 million). The decrease in cash and balance balances was mainly due to cash used for financing the operations of the Group.

During the year, the Group borrowed a new bank loan of approximately HK\$11.4 million (2012: nil) for general working capital purpose which is denominated in Hong Kong dollars and repayable within one year. The bank loan is secured by a bank deposit of approximately HK\$12.5 million (2012: nil). As at 31 March 2013, the gearing ratio of the Group (total bank borrowings over total equity) was about 23.0% (2012: nil). There was no seasonality as to the Group's borrowing requirements and no other committed borrowing facilities.

### ***Foreign Currency Exchange Exposure and Treasury Policies***

As most of the Group's trading transactions, monetary assets and liabilities are denominated in Renminbi and Hong Kong dollars, the impact of foreign exchange exposure to the Group was minimal and there was no significant adverse effect on normal operations. As at 31 March 2013, no related hedges were made by the Group (2012: nil).

### ***Significant Investments, Acquisitions or Disposals***

There were no significant investments or material acquisitions or disposals by the Company during the year ended 31 March 2013.

### ***Contingent Liabilities***

As at 31 March 2013, the Group had no material contingent liabilities (2012: nil).

### ***Capital Structure***

The shares of the Company were listed on GEM on 28 March 2000. There was no change of the Company's capital structure during the year under review.

## **Employee and Remuneration Policy**

As at 31 March 2013, the Group had a total of 112 employees (2012:113) and total staff costs for the year ended 31 March 2013 was approximately HK\$28.1 million (2012: HK\$30.7 million). The Group's remuneration policy is basically determined by the performance of individual employees and Directors and the market condition. In addition to salaries and discretionary bonuses, employee benefits included medical schemes, pension contributions, share option schemes and staff training.

## **Business Review and Outlook**

During the year under review, the Group achieved progress in the provision of diversified mobile entertainment services. For the wireless music search services, the expanded services have been commercially scaled up, including the wireless music user applications, personal entertainment information services, individual social user applications and wireless reading services.

The Group continued the operational supporting project of wireless music services with China Mobile, with a tighter collaboration with China Mobile, so as to broaden the marketing channels of respondents. Based on mobile end users development strategies of the telecommunication operators, the Group has developed a wireless music end user application for managing ringtones with China Mobile. Upon launching this application into the market, it recorded a robust growth in terms of user activity and payment rate, which are much higher than the industry average. Moreover, the Group has enhanced the innovation in the Group's newly developed mobile social user application and voice, music, photo-taking and GPS technology-related products.

Looking ahead, in light of the promising prospect of digital music industry in the PRC and the improved copyright protection, the mobile internet user applications will develop at a rapid pace with enormous growth opportunities.

In 2013, the Group will continue to strengthen its close cooperation with China Mobile on supporting services in respect of content, product, operation and marketing channel for a total advancement of the Group's wireless music search services and music user application services. Based on the solid foundation of the Group's wireless music search services, the Group will continue to provide more advanced search services and multi-media services in order to improve the users' loyalty and social interactivity and maintain its leading position in the wireless music search industry. Leveraging on its strengths in wireless music over the years, and extend our cooperation to mobile phone manufacturers and operators, the Group will rapidly enhance the marketing and coverage of mobile users. The Group will also accelerate to deepen its cooperation with China Telecom Corporation Limited by diversifying the operational supporting projects. It is expected that these services will bring steady revenue to the Group.

Simultaneously, the Group is now at the advanced stage of negotiation with one of the largest telecommunication operators in Malaysia to provide tailor made digital contents and innovative mobile solutions to its subscribers, which is targeted to launch in the second quarter of the financial year ending 31 March 2014. Leveraging on this cooperation, the Group will formulate strategies to roll out its music search and other mobile entertainment services to the mobile users across South East Asia.

The Group will continue to implement the strategies of diversified businesses, leverage on promising opportunities in the industry, reinforce the cooperation with domestic and international telecommunication operators and explore new opportunities in other mobile internet services. The Group will continue to develop under the leadership of management team with excellent technical and research and development capabilities and ample experience in the wireless search and mobile phone user application areas.

### **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**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year under review.

### **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 2013.

### **CORPORATE GOVERNANCE CODE**

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 15 of the GEM Listing Rules throughout the year under review.

## **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.

As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors, namely Mr. Tam Chun Wan (Chairman of the Audit Committee), Ms. Tse Yuet Ling, Justine and Ms. Lai May Lun.

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 Ms. Tse Yuet Ling, Justine (Chairman of the Remuneration Committee), Ms. Lai May Lun and one executive Director, Mr. Yip Heon Keung.

## **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. Yip Heon Keung (Chairman of the Nomination Committee) and two independent non-executive Directors, Mr. Tam Chun Wan and Ms. Lai May Lun.

By Order of the Board

**Yip Heon Keung**

*Chairman*

Hong Kong, 18 June 2013

*As at the date of this announcement, the Board comprises Mr. Yip Heon Keung, Mr. Yip Heon Ping and Ms. Li Luyi (all of them are executive Directors); Mr. Chen Xiaoxin and Mr. Mah Yong Sun (both of them are non-executive Directors); Mr. Tam Chun Wan, Ms. Tse Yuet Ling, Justine and Ms. Lai May Lun (all of them are independent non-executive Directors).*

*This announcement will remain on the “Latest Company Announcement” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the day of its posting and on the Company’s website at [www.prosten.com](http://www.prosten.com).*