



# PROSTEN TECHNOLOGY HOLDINGS LIMITED

長達科技控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8026)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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.

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 trade on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 purpose only

## HIGHLIGHTS

- Revenue of the Group for the six months ended 30 September 2013 amounted to about HK\$16.5 million, representing a 52.8% decrease as compared to the corresponding period in the previous financial year.
- The Group's gross profit for the six months ended 30 September 2013 was about HK\$8.4 million, decreased by about HK\$10.1 million compared with the same period of last year.
- Loss attributable to equity holders of the Company for the six months ended 30 September 2013 amounted to about HK\$18.0 million, which represented an increase in loss of about HK\$7.2 million compared with the same period of 2012.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2013.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### Six months and three months ended 30 September 2013

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months and three months ended 30 September 2013 together with the unaudited comparative figures for the corresponding periods in 2012 as follows:

		<b>Six months ended 30 September</b>		<b>Three months ended 30 September</b>	
<i>Notes</i>		<b>2013</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2012 <i>HK\$'000</i> <b>(Unaudited)</b>	<b>2013</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2012 <i>HK\$'000</i> <b>(Unaudited)</b>
<b>Revenue</b>	3	<b>16,532</b>	35,051	<b>7,020</b>	13,282
Cost of sales		<b>(8,099)</b>	(16,484)	<b>(3,607)</b>	(7,992)
Gross profit		<b>8,433</b>	18,567	<b>3,413</b>	5,290
Other income and gains		<b>435</b>	822	<b>186</b>	213
Selling expenses		<b>(6,582)</b>	(6,639)	<b>(3,298)</b>	(4,756)
Administrative expenses		<b>(18,363)</b>	(20,283)	<b>(9,447)</b>	(7,957)
Other expenses		<b>(1,844)</b>	(3,237)	<b>(921)</b>	(1,828)
Finance costs		<b>(121)</b>	(74)	<b>(40)</b>	(54)
<b>Loss before tax</b>	4	<b>(18,042)</b>	(10,844)	<b>(10,107)</b>	(9,092)
Income tax credit/(expense)	5	<b>—</b>	26	<b>—</b>	(109)
<b>Loss for the period attributable to equity holders of the Company</b>		<b>(18,042)</b>	(10,818)	<b>(10,107)</b>	(9,201)
<b>Other comprehensive income</b>					
Exchange differences on translation of foreign operations		<b>625</b>	—	<b>110</b>	—
<b>Total comprehensive expense for the period</b>		<b>(17,417)</b>	(10,818)	<b>(9,997)</b>	(9,201)
<b>Loss per share attributable to equity holders of the Company</b>	6				
Basic		<b>(HK2.4 cents)</b>	(HK1.4 cents)	<b>(HK1.3 cents)</b>	(HK1.2 cents)
Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**30 September 2013**

	Notes	30 September 2013 HK\$'000 (Unaudited)	31 March 2013 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	3,256	3,907
Investment property		4,693	4,490
Deposits		1,067	—
Available-for-sale investments		837	831
Goodwill		—	—
Deferred tax assets		1,416	1,396
<b>Total non-current assets</b>		<b>11,269</b>	<b>10,624</b>
<b>CURRENT ASSETS</b>			
Trade receivables	8	12,440	13,431
Prepayments, deposits and other receivables		9,360	10,866
Due from a Director		107	655
Pledged deposits	9	12,924	12,740
Cash and cash equivalents	9	24,739	39,050
<b>Total current assets</b>		<b>59,570</b>	<b>76,742</b>
<b>CURRENT LIABILITIES</b>			
Trade payables	10	12,538	12,634
Other payables and accruals		9,811	9,443
Due to a Director		439	—
Short-term bank borrowing, pledged		11,400	11,400
Tax payable		3,973	3,915
<b>Total current liabilities</b>		<b>38,161</b>	<b>37,392</b>
<b>NET CURRENT ASSETS</b>		<b>21,409</b>	<b>39,350</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>32,678</b>	<b>49,974</b>
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liability		507	499
<b>NET ASSETS</b>		<b>32,171</b>	<b>49,475</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital	11	75,635	75,635
Reserves		(43,464)	(26,160)
<b>TOTAL EQUITY</b>		<b>32,171</b>	<b>49,475</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2013

	Attributable to equity holders of the Company							Total equity HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Statutory reserve fund HK\$'000 (note a)	Foreign currency translation reserve HK\$'000 (note b)	Share option reserve HK\$'000	Accumulated losses HK\$'000	Reserves sub-total HK\$'000	
At 1 April 2013 (audited)	75,635	372,468	3,349	14,319	7,793	(424,089)	(26,160)	49,475
Loss for the period (unaudited)	—	—	—	—	—	(18,042)	(18,042)	(18,042)
Other comprehensive income for the period: Exchange differences on translation of foreign operations (unaudited)	—	—	—	625	—	—	625	625
Total comprehensive income/(expense) for the period (unaudited)	—	—	—	625	—	(18,042)	(17,417)	(17,417)
Equity-settled share option arrangements (unaudited)	—	—	—	—	113	—	113	113
Transfer of share option reserve on the forfeited share options (unaudited)	—	—	—	—	(20)	20	—	—
At 30 September 2013 (unaudited)	<u>75,635</u>	<u>372,468</u>	<u>3,349</u>	<u>14,944</u>	<u>7,886</u>	<u>(442,111)</u>	<u>(43,464)</u>	<u>32,171</u>
At 1 April 2012 (audited)	75,635	372,468	3,349	13,612	7,757	(395,056)	2,130	77,765
Loss for the period (unaudited)	—	—	—	—	—	(10,818)	(10,818)	(10,818)
Total comprehensive expense for the period (unaudited)	—	—	—	—	—	(10,818)	(10,818)	(10,818)
Equity-settled share option arrangements (unaudited)	—	—	—	—	161	—	161	161
Transfer of share option reserve on the forfeited share options (unaudited)	—	—	—	—	(237)	237	—	—
At 30 September 2012 (unaudited)	<u>75,635</u>	<u>372,468</u>	<u>3,349</u>	<u>13,612</u>	<u>7,681</u>	<u>(405,637)</u>	<u>(8,527)</u>	<u>67,108</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 year's 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) 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 dollars) which 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.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Six months ended 30 September 2013**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash flows used in operating activities	<b>(14,861)</b>	(14,160)
Net cash flows generated from/(used in) investing activities	<b>168</b>	(178)
Net cash flows used in financing activities	<u>—</u>	<u>(1,009)</u>
Net decrease in cash and cash equivalents	<b>(14,693)</b>	(15,347)
Cash and cash equivalents at beginning of period	<b>39,050</b>	67,135
Effect of foreign exchange rate changes, net	<u><b>382</b></u>	<u>—</u>
Cash and cash equivalents at end of period	<u><b>24,739</b></u>	<u>51,788</u>
 <b>Analysis of cash and cash equivalents</b>		
Cash and bank balances	<b>22,196</b>	49,322
Non-pledged time deposits with original maturity of less than three months when acquired	<u><b>2,543</b></u>	<u>2,466</u>
Cash and cash equivalents as stated in the consolidated statement of financial position and condensed consolidated statement of cash flows	<u><b>24,739</b></u>	<u>51,788</u>

Notes:

## 1. Basis of Preparation

The Group's unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (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, accounting principles generally accepted in Hong Kong and the disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost convention, except for the investment property which has 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 2013, except that the Group has adopted a number of new or revised HKFRSs, which are newly effective for the period under review with changes in significant accounting policies as set out below.

### *Consolidation*

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. All material intra-group transactions, unrealised gains and losses and balances have been eliminated on consolidation.

The adoption of these new or revised HKFRSs had no significant financial effect on the financial results for the current periods. There is no other significant change in accounting policies and no prior period adjustment is required.

The Group has not early applied the new or revised HKFRSs which are relevant to the Group that have been issued but are not yet effective in the preparation of these unaudited consolidated results. The Group is in the process of making an assessment of the impact of these new or revised HKFRSs upon initial application. Except that the application of HKFRS 9 *Financial Instruments* (and its subsequent amendments) might affect the classification, measurement and presentation of the Group's financial assets and financial liabilities, so far the Group is not yet in a position to state whether these new or revised HKFRSs would have any significant impact on its results of operations and financial position. The Group expects to apply these new or revised HKFRSs when they first become effective.

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



## 2. 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 six months ended 30 September 2013, revenues of approximately HK\$5,289,000 (2012: HK\$13,618,000) and approximately HK\$4,147,000 (2012: HK\$9,490,000) were derived from services rendered to two customers. During the three months ended 30 September 2013, revenues of approximately HK\$2,380,000 (2012: HK\$4,425,000) and approximately HK\$1,328,000 (2012: HK\$3,870,000) were derived from services rendered to two customers. No other single customer contributed 10% or more to the Group's revenue for both the six months and three months ended 30 September 2013 and 2012.

## 3. Revenue

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

## 4. Loss Before Tax

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

	Six months ended		Three months ended	
	30 September		30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation	785	698	467	394
Minimum lease payments under operating leases in respect of:				
Land and buildings	1,168	980	577	588
Motor vehicles	—	111	—	68
Employee benefits expense	12,858	14,679	6,463	7,031
Investment income	(218)	(211)	(110)	(106)

## 5. 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 during the six months and three months ended 30 September 2013 (2012: nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	Six months ended 30 September		Three months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Deferred and income tax (credited)/charged for the period	—	(26)	—	109

## 6. Loss Per Share Attributable to Equity Holders of the Company

The calculations of basic loss per share amounts for the six months and three months ended 30 September 2013 are based on the unaudited loss for the periods attributable to equity holders of the Company of about HK\$18,042,000 (six months ended 30 September 2012: HK\$10,818,000) and about HK\$10,107,000 (three months ended 30 September 2012: HK\$9,201,000) respectively, and the numbers of ordinary shares of 756,355,000 in issue for both the six months and three months ended 30 September 2013 (both six months and three months ended 30 September 2012: 756,355,000).

Diluted loss per share for the periods has not been disclosed as no dilutive potential equity shares in existence at end of each of the reporting periods.

## 7. Property, Plant and Equipment

The movements of property, plant and equipment of the Group were as follows:

	30 September 2013 HK\$'000 (Unaudited)	31 March 2013 HK\$'000 (Audited)
Net book value, at beginning of period/year	3,907	4,043
Additions for the period/year	102	1,335
Depreciation for the period/year	(785)	(1,504)
Exchange realignment for the period/year	32	33
Net book value, at end of period/year	<u>3,256</u>	<u>3,907</u>

## 8. Trade Receivables

	<b>30 September 2013 HK\$'000 (Unaudited)</b>	31 March 2013 HK\$'000 (Audited)
Trade receivables	<b>13,682</b>	14,655
Impairment allowances	<b><u>(1,242)</u></b>	<u>(1,224)</u>
	<b><u>12,440</u></b>	<u>13,431</u>

The Group's trade receivables, which generally have credit terms of one month to three months (31 March 2013: 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. There is a significant concentration of credit risk as about 43% (31 March 2013: 28%) of the balance represented a receivable from one customer with the largest trade receivable at end of reporting period. Trade receivables are unsecured and non-interest-bearing.

An aged analysis of the trade receivables, net of impairment allowances, that are not considered to be impaired, based on the due date, is as follows:

	<b>30 September 2013 HK\$'000 (Unaudited)</b>	31 March 2013 HK\$'000 (Audited)
Neither past due nor impaired	<b>4,735</b>	5,404
Less than or equals 3 months past due	<b>3,879</b>	4,539
4 to 6 months past due	<b>2,355</b>	2,020
7 to 12 months past due	<b>650</b>	927
Past due for more than 1 year	<b><u>821</u></b>	<u>541</u>
	<b><u>12,440</u></b>	<u>13,431</u>

Receivables that were neither past due nor impaired relate to several customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good repayment record with the Group. Based on past experience, the Directors are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

## 9. Cash and Cash Equivalents and Pledged Deposits

	<b>30 September 2013 HK\$'000 (Unaudited)</b>	31 March 2013 HK\$'000 (Audited)
Cash and bank balances	22,196	36,543
Time deposits	<u>15,467</u>	<u>15,247</u>
	<b>37,663</b>	51,790
Less: Pledged time deposits for banking facilities	<u>(12,924)</u>	<u>(12,740)</u>
Cash and cash equivalents	<u><u>24,739</u></u>	<u><u>39,050</u></u>

## 10. Trade Payables

An aged analysis of the trade payables as at end of the reporting period based on the month of services rendered, is as follows:

	<b>30 September 2013 HK\$'000 (Unaudited)</b>	31 March 2013 HK\$'000 (Audited)
Within 3 months	1,881	3,945
4 to 6 months	2,813	5,057
7 to 12 months	4,120	165
Over 1 year	<u>3,724</u>	<u>3,467</u>
	<u><u>12,538</u></u>	<u><u>12,634</u></u>

## 11. Share Capital

	<b>30 September 2013</b>		31 March 2013	
	Number of shares	HK\$'000 (Unaudited)	Number of shares	HK\$'000 (Audited)
<b>Authorised:</b>				
Ordinary shares of HK\$0.10 (31 March 2013: HK\$0.10) each	<u><u>2,500,000,000</u></u>	<u><u>250,000</u></u>	<u><u>2,500,000,000</u></u>	<u><u>250,000</u></u>
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.10 (31 March 2013: HK\$0.10) each				
At beginning of period/year and at end of period/year	<u><u>756,355,000</u></u>	<u><u>75,635</u></u>	<u><u>756,355,000</u></u>	<u><u>75,635</u></u>

## 12. Commitments

### (a) Operating lease arrangements

The Group leases certain of its office properties and motor vehicles under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years (31 March 2013: one to three years). Leases for motor vehicles are negotiated for terms one year as at 31 March 2013 and such leases were expired during the period under review.

At end of reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2013 HK\$'000 (Unaudited)</b>	31 March 2013 HK\$'000 (Audited)
Land and buildings:		
Within one year	3,576	1,987
In the second to fifth years, inclusive	<u>2,060</u>	<u>294</u>
	<b>5,636</b>	2,281
Motor vehicles:		
Within one year	<u>—</u>	<u>15</u>
	<b><u>5,636</u></b>	<b><u>2,296</u></b>

### (b) Capital commitments

The Group has no significant capital commitment at the end of the reporting period (31 March 2013: nil).

## 13. Fair Value and Fair Value Hierarchy

The carrying amounts of the Group's financial assets (including cash and cash equivalents, pledged deposits, trade receivables, deposits and other receivables, due from a Director) and financial liabilities (including trade payable, other payables and accruals, interest bearing bank borrowing, due to a Director) approximate their fair values due to the short term maturities of these instruments, unless otherwise stated.

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: fair values measured based on valuation techniques for which any of the inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

The Company did not have any financial assets and liabilities measured at fair value as at 30 September 2013.

During the six months and three months ended 30 September 2013, there were no transfers of fair value measurements between Level 1 and Level 2 (2012: nil) and no transfers into or out of Level 3 (2012: nil).

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2013 (2012: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

#### ***Result***

This financial year proves to be a very challenging year for the Group. The overall landscape of the wireless value-added services market in PRC is still under the direction of the key telecommunication operators and the business environment remain extremely difficult.

As previously reported, we are extending our wireless value-added services locally to other reputable telecommunication operators and we have commenced our cooperation with China Telecom Corporation Limited (“China Telecom”). Further, leveraging on our ample experience in the wireless value-added services market in the PRC, we have successfully secured two digital contents and mobile entertainment solution contracts with one of the largest telecommunication operators in Malaysia in this quarter. Our services are expected to gradually roll-out in Malaysia during the remaining period of this financial year.

During the six months ended 30 September 2013, revenue of the Group amounted to about HK\$16.5 million, representing a decrease of about 52.8% as compared to that of about HK\$35.1 million for the six months ended 30 September 2012. The decrease in revenue was mainly due to the decrease in the revenue from the wireless music search (“WMS”) services from China Mobile Limited (“China Mobile”). As reported in announcements and financial reports of the Group in the past, China Mobile revised the pricing model of WMS services with the Group in the first quarter of last year. Under the new operational support services agreement (the “July 2012 Agreement”) entered into with China Mobile in July 2012, which covered the period from July 2011 to July 2012, the Group charged China Mobile based on a fixed operational support services fee (subject to adjustment). This charging model remains the same across the period thereafter to date of this announcement. The income arising from the July 2012 Agreement (and its subsequent renewal) recognised in the first half of 2012/13 according to HKFRS was higher than that recognised in the first half of 2013/14.

Also, the income from the business partners for WMS services decreased as a result of the keen competitions and changes in consumers' preferences. As it is part of the Group's decision to gradually move away from services that did not have attractive financial and strategic return such as mobile reading, revenue therefrom decreased during the period under review.

As a result of decrease in revenue, the Group's cost of sales for the period under review decreased to about HK\$8.1 million, representing a decrease of about 50.9% compared to that of about HK\$16.5 million for the corresponding period in 2012/13. The decrease in cost of sales was in line with the decrease in revenue.

Other income and gains mainly represented interest income. The decrease of other income and gains from about HK\$0.8 million in the six months ended 30 September 2012 to about HK\$0.4 million in the six months ended 30 September 2013 was mainly due to decrease in interest income.

Selling expenses during the period under review in this year amounted to about HK\$6.6 million. There was no significant change with that of about HK\$6.6 million for the six months ended 30 September 2012.

Administrative expenses decreased from about HK\$20.3 million for the six months ended 30 September 2012 to about HK\$18.4 million for the six months ended 30 September 2013, representing a decrease of about 9.5%. Such decrease was attributable to the continual effort exercised by the Group to monitor costs incurred for administrative activities.

Other expenses decreased from about HK\$3.2 million for the six months ended 30 September 2012 to about HK\$1.8 million for the six months ended 30 September 2013, representing a decrease of about HK\$1.4 million. The decrease is mainly due to the decrease in non-operating staff costs during the period under review.

As a combination effect of the above, the loss attributable to equity holders of the Company for the first half of this year amounted to about HK\$18.0 million, as compared to that of about HK\$10.8 million for the same period last year.

### ***Financial Position***

As at 30 September 2013, the total equity of the Group amounted to about HK\$32.2 million (31 March 2013: HK\$49.5 million) and the Group's net current assets amount to about HK\$21.4 million (31 March 2013: HK\$39.4 million). The current ratio, which is calculated by dividing current assets to current liabilities as at 30 September 2013 was about 1.6 (31 March 2013: 2.1). The decrease in the total equity, net current assets and current ratio was mainly due to the resources taken up to finance the Group which is operating at a loss during the period under review.

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

The Group adopts a prudent cash and financial management policy. In order to achieve better-cost control and minimize the cost of funds, the Group's treasury activities are centralized and cash is generally placed in deposits with banks and denominated mostly in Renminbi and Hong Kong dollars.

During the six month ended 30 September 2013, the Group has financed its operations by revenue generated from its operations. As at 30 September 2013, cash and bank balances (including pledged bank deposits) amounted to about HK\$37.7 million, representing a decrease of about HK\$14.1 million from that as at 31 March 2013 of about HK\$51.8 million. The decrease in cash and bank balances was mainly due to cash used for financing the operations of the Group.

The outstanding bank borrowing as at 30 September 2013 was about HK\$11.4 million (31 March 2013: HK\$11.4 million), which is denominated in Hong Kong dollars and repayable within one year. The bank loan is secured by a bank deposit of about HK\$12.7 million (31 March 2013: HK\$12.5 million). As at 30 September 2013, the gearing ratio of the Group (total bank borrowings over total equity) was about 35.4% (31 March 2013: 23.0%). There was no seasonality as to the Group's borrowing requirements and no other committed borrowing facilities. As at 30 September 2013, there was no significant change as to the interest rate structure of the Group's borrowing as compared to that as of 31 March 2013.

### ***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 30 September 2013, no related hedges were made by the Group (31 March 2013: nil).

### ***Contingent Liabilities***

As at 30 September 2013, the Group had no material contingent liabilities (31 March 2013: 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 six-month period under review.

### ***Employees and Remuneration Policy***

As at 30 September 2013, the Group had a total of 103 employees (31 March 2013: 112) and total staff cost for the six months ended 30 September 2013 was approximately HK\$12.9 million (six months ended 30 September 2012: HK\$14.7 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**

In the second quarter, while the Group continued to develop new strategies and diversified its mobile entertainment services, it also proactively explores the cooperation opportunities locally with China Telecom and other reputable telecommunication operators abroad. The cooperation with the China Telecom in the provision of music services has been rolled-out to the market. The discussions regarding the mode of cooperation as well as the official launch time in overseas markets are still underway. Of which, the Group entered into mobile entertainment services contracts with one of the largest telecommunication operators in Malaysia and the services are expected to roll out during the remaining period of this financial year.

As affected by the unfavourable impacts of the telecommunication operators' policies, revenue from WMS services continued to fall. The number of the end users of WMS experienced a steady growth and there showed an upward trend in terms of users' loyalty and their activeness. However, the users base has not been large enough to generate any additional revenues. In this quarter, revenue from the cooperation with China Telecom in the provision of WMS was insignificant and could not make up the loss resulting from the decrease of revenues in WMS services through China Mobile network. We are aiming to re-deploy our marketing resources with China Telecom in the future so as to increase the scale of income and users.

Looking forward, under the impacts of the above policies, the management expects that the business of the Group for the second half will prolong its negative trend as experienced in the first half. Amid challenging operating environment of the mobile value-added service industry, telecommunication operations will continue to strengthen the management of their value-added business partners, introduce more restrictive and unfavourable policies that affect the revenue from music business.

To cope with these challenges, in the third quarter of 2013, the Group will continue its effort to actively look for new business opportunities in other mobile entertainment areas and to deploy its financial and human resources diligently to meet such demand, step up its efforts in strengthening the cooperation with more domestic and international telecommunication operators which specialise in mobile internet services, and increase the number of users in and the scale of revenues from both end user applications and telecommunication music services.

The Group will keep on accelerating the development of diversified businesses and focusing on supporting its new businesses. As to our core music business, the Group will further strengthen the cooperation with a number of telecommunication operators locally and abroad, expand the portfolio of the operational support projects and enhance the cooperation and cohesion among existing operational support projects within its service scope.

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

As at 30 September 2013, the interests and short positions of the Directors and chief executive in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to the code of conduct regarding securities transactions by Directors adopted by the Company, notified to the Company and the Exchange, were as follows:

### Long positions in the ordinary shares of the Company

Name of Director	Notes	Capacity and nature of interest	Number of ordinary shares	Percentage of the Company's issued share capital Note (3)
Mr. Yip Heon Keung	(1)	Interest of a controlled corporation	181,682,918	24.02%
Mr. Yip Heon Ping	(2)	Object of a discretionary family trust and through a controlled corporation	181,682,918	24.02%

Notes:

- (1) These shares are held by Greenford Company (PTC) Limited ("Greenford") and Bakersfield Global (PTC) Corporation ("Bakersfield") as trustees of The Greenford Unit Trust and The Bakersfield Unit Trust, respectively. All the units of which are held by Ace Central Group (PTC) Limited ("Ace Central") as the trustee of The New Millennium Trust, a discretionary family trust and Mr. Yip Heon Keung is the sole director and sole shareholder of Ace Central. By virtue of the SFO, Mr. Yip Heon Keung is deemed to be interested in 181,682,918 shares of the Company held by Ace Central.
- (2) By virtue of the SFO, Mr. Yip Heon Ping, being one of the discretionary objects of The New Millennium Trust for the time being, is deemed to be interested in 181,682,918 shares of the Company. Among these shares, 122,597,702 shares were held by Greenford as beneficial owner. The entire issued share capital in Greenford is held by Mr. Yip Heon Ping.
- (3) Based on 756,355,000 shares of the Company in issue as at 30 September 2013.

## **SHARE OPTION SCHEMES**

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 of the Company ("Shareholders") on 7 March 2000 (the "2000 Scheme"), and was terminated and replaced by a share option scheme approved by the Shareholders on 9 April 2002 (the "2002 Scheme"). The 2002 Scheme was terminated and replaced by a new share option scheme approved by the Shareholders on 5 August 2011 (the "New Scheme"). The options granted under the 2000 Scheme, which were not exercised, terminated or expired previously, became expired on 21 August 2011.

A summary of the share option schemes is set out below:

### **(a) 2002 Scheme**

The 2002 Scheme became effective for a period of 10 years commencing on 23 April 2002. Eligible participants of the 2002 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 2002 Scheme, the Directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company. The exercise period of the options granted is determinable by the Directors, and commences after 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 2002 Scheme was terminated and replaced by the New Scheme with effect from 5 August 2011. The options granted under the 2002 Scheme remain exercisable within their respective exercise periods.

### **(b) New 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 New Scheme in place of the 2002 Scheme.

The New Scheme became effective for a period of 10 years commencing on 10 August 2011. Eligible participants of the New 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 New Scheme, the Directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company at the highest of (i) the closing price of shares of the Company on GEM as stated in the Exchange's daily quotation sheet on the date of the offer of grant; (ii) the average closing price of the shares of the Company on GEM as stated in the Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Company's share. The offer of a grant of options may be accepted within 21 days from the

date of the offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. The exercise period of the options granted is determinable by the Directors, which commences after the date of offer with a certain vesting period and ends in any event not later than 10 years from the respective date when the share options are granted, subject to the provisions for early termination thereof.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the New 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 New 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 New Scheme does not provide for any minimum period for holding of options or any performance target before exercise of options.

## Options to subscribe for shares of the Company under the 2002 Scheme

Details of the outstanding share options during the six-month period are as follows:

Name or category of participant	Number of share options <sup>***</sup>				At 30 September 2013	Date of share options granted*	Exercise period of share options granted	Exercise price of share options granted** HK\$ per share
	At 1 April 2013	Granted during the period	Exercised during the period	Lapsed during the period				
<b>Director</b>								
Ms. Li Luyi	4,000,000	—	—	—	4,000,000	9 February 2010	9 February 2010 to 8 February 2020	0.660
	2,500,000	—	—	—	2,500,000	23 November 2010	23 November 2010 to 22 November 2020	0.270
	<u>6,500,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,500,000</u>			
<b>Other employees of the Group</b>								
In aggregate	100,000	—	—	—	100,000	26 March 2004	26 March 2004 to 25 March 2014	0.100
In aggregate	700,000	—	—	—	700,000	10 May 2006	10 May 2006 to 9 May 2016	0.170
In aggregate	1,840,000	—	—	(40,000)	1,800,000	9 February 2010	9 February 2010 to 8 February 2020	0.660
In aggregate	2,150,000	—	—	(50,000)	2,100,000	23 November 2010	23 November 2010 to 22 November 2020	0.270
<b>Others</b>								
In aggregate	200,000	—	—	—	200,000	26 March 2004	26 March 2004 to 25 March 2014	0.100
In aggregate	2,000,000	—	—	—	2,000,000	24 June 2005	24 June 2005 to 23 June 2015	0.100
In aggregate	1,000,000	—	—	—	1,000,000	29 June 2006	29 June 2006 to 28 June 2016	0.380
In aggregate	5,000,000	—	—	—	5,000,000	6 July 2007	1 October 2008 to 5 July 2017	0.396
In aggregate	9,200,000	—	—	—	9,200,000	3 April 2008	3 April 2008 to 2 April 2018	0.410
In aggregate	200,000	—	—	—	200,000	3 June 2008	3 June 2008 to 2 June 2018	0.417
	<u>28,890,000</u>	<u>—</u>	<u>—</u>	<u>(90,000)</u>	<u>28,800,000</u>			

## Options to subscribe for shares of the Company under the New Scheme

Details of the outstanding share options during the six-month period are as follows:

Name or category of participant	Number of share options <sup>***</sup>				At 30 September 2013	Date of share options granted*	Exercise period of share options granted	Exercise price of share options granted** HK\$ per share
	At 1 April 2013	Granted during the period	Exercised during the period	Lapsed during the period				
Director	—	—	—	—	—	—	—	
Other employees of the Group								
In aggregate	2,900,000	—	—	(50,000)	2,850,000	27 March 2013	27 March 2013 to 26 March 2023	0.162
	<u>2,900,000</u>	<u>—</u>	<u>—</u>	<u>(50,000)</u>	<u>2,850,000</u>			

\* The time of acceptance of the share options was within 21 days from the options offer date. The share options granted are subject to certain vesting period and vary for each category of participant as specified under the respective share option schemes.

\*\* The exercise price of the share options is subject to some adjustments in the case of rights or bonus issues, or other similar changes in the Company's share capital.

\*\*\* There were no share options cancelled during the period.

As at 30 September 2013, the Company had outstanding options to subscribe for up to 28,800,000 shares under the 2002 Scheme and 2,850,000 shares under the New Scheme.

Save as disclosed above, as at 30 September 2013, none of the Directors and chief executive of the Company had an interest or short position in the ordinary shares or underlying shares of the Company or any of its associated corporations that was notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2013, 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 Note (9)
Greenford Company (PTC) Limited	(1)	Beneficially owned	122,597,702	16.21%
Century Technology Holding (PTC) Limited	(2)	Beneficially owned	114,851,701	15.18%
Bakersfield Global (PTC) Corporation	(3)	Beneficially owned	59,085,216	7.81%
Ace Central Group (PTC) Limited (as trustee of The New Millennium Trust)	(4)	Trustee of a discretionary family trust and through controlled corporations	181,682,918	24.02%
Mr. Yip Seng Mun	(2), (3), (4) & (5)	Founder of a discretionary family trust, beneficially owned and through controlled corporations	297,095,619	39.28%
Knicks Capital Inc.	(6)	Beneficially owned	40,480,000	5.35%
Mr. Zhang Xingsheng	(6)	Interest of a controlled corporation	40,480,000	5.35%
Right Advance Management Limited	(7)	Beneficially owned	150,000,000	19.83%
Ms. Wang Li Mei	(7)	Interest of a controlled corporation	150,000,000	19.83%
Mr. Wang Leilei	(7)	Interest of a controlled corporation	150,000,000	19.83%
Will City Limited	(8)	Beneficially owned	100,000,000	13.22%
Ms. Zhang Yingnan	(8)	Interest of a controlled corporation	100,000,000	13.22%

Notes:

- (1) Greenford is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Mr. Yip Heon Ping, a Director of the Company.
- (2) Century Technology Holding (PTC) Limited (“Century”) is a company incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned by Mr. Yip Seng Mun, a former Director of the Company.
- (3) Bakersfield is a company incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned by Mr. Yip Seng Mun.
- (4) An aggregate of 181,682,918 shares are held through Greenford and Bakersfield as trustees of The Greenford Unit Trust and The Bakersfield Unit Trust, respectively. All the units of which are held by Ace Central as the trustee of The New Millennium Trust, a discretionary family trust established with Mr. Yip Seng Mun as the founder and Mr. Yip Heon Ping as one of the discretionary objects for the time being. Mr. Yip Heon Keung, a Director of the Company, is the sole director and sole shareholder of Ace Central.
- (5) By virtue of the SFO, Mr. Yip Seng Mun is deemed to be interested in 181,682,918 shares of the Company as the founder of The New Millennium Trust and 114,851,701 shares of the Company as the beneficial owner of Century. He is also personally interested in 561,000 shares of the Company.
- (6) Knicks Capital Inc. is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Mr. Zhang Xingsheng.
- (7) 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.
- (8) Will City Limited is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Ms. Zhang Yingnan.
- (9) Based on 756,355,000 shares of the Company in issue as at 30 September 2013.

Save as disclosed above, as at 30 September 2013, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.



## **COMPETING INTERESTS**

None of the Directors or the controlling shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) have any interests in a business which competes or may compete with the business of the Group, or has any other conflict of interest with the Group during the period under review.

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

During the six months ended 30 September 2013, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the six months ended 30 September 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 to the GEM Listing Rules throughout the period under review.

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

## 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. 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, 7 November 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).*