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 2014

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

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

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

This announcement, for which the directors (the "Directors") of Prosten Technology Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* *For identification purposes only*

HIGHLIGHTS

- Revenue of the Group for the year ended 31 March 2014 amounted to about HK$24.2 million, representing a decrease of about 57.6% as compared to last year.
- The Group's gross profit for the year ended 31 March 2014 was about HK$12.3 million, decreased by about HK$15.0 million as compared to last year.
- Loss attributable to equity holders of the Company for the year ended 31 March 2014 amounted to about HK$41.6 million, which represented an increase in loss of about HK$12.2 million as compared to last year.
- The Board does not recommend the payment of any dividend for the year ended 31 March 2014.

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 2014 together with the comparative audited figures for the year ended 31 March 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Revenue	*4*	**24,209**	57,161
Cost of sales		**(11,919)**	(29,840)
Gross profit		**12,290**	27,321
Other income and gains	*4*	**1,956**	2,333
Selling expenses		**(11,443)**	(15,149)
Administrative expenses		**(40,057)**	(38,242)
Other expenses		**(4,187)**	(5,444)
Finance costs	*5*	**(166)**	(263)
Loss before tax	*6*	**(41,607)**	(29,444)
Income tax (expense)/credit	*7*	**(6)**	67
Loss for the year attributable to equity holders of the Company		**(41,613)**	(29,377)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**485**	707
Total comprehensive expense for the year attributable to equity holders of the Company		**(41,128)**	(28,670)
Loss per share attributable to ordinary equity holders of the Company	*8*		
Basic		**(HK5.50) cents**	(HK3.88) cents
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,373**	3,907
Investment property		**4,767**	4,490
Deposits		**371**	—
Available-for-sale investments		**831**	831
Goodwill		**—**	—
Deferred tax asset		**1,394**	1,396
Total non-current assets		**10,736**	10,624
CURRENT ASSETS			
Trade receivables	*9*	**5,197**	13,431
Prepayments, deposits and other receivables		**7,835**	10,866
Due from Directors		**—**	655
Pledged deposits	*10*	**250**	12,740
Cash and cash equivalents		**12,570**	39,050
Total current assets		**25,852**	76,742
CURRENT LIABILITIES			
Trade payables	*11*	**9,952**	12,634
Other payables and accruals		**11,455**	9,443
Due to Directors		**535**	—
Interest-bearing bank borrowing, secured	*12*	**—**	11,400
Tax payable		**3,331**	3,915
Total current liabilities		**25,273**	37,392
NET CURRENT ASSETS		**579**	39,350
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,315**	49,974
NON-CURRENT LIABILITY			
Deferred tax liability		**499**	499
Net assets		**10,816**	49,475
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*13*	**75,635**	75,635
Reserves		**(64,819)**	(26,160)
Total equity		**10,816**	49,475

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2014

	Attributable to equity holders of the Company							
	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$'000*	**Total equity** *HK$'000*
At 1 April 2013	75,635	372,468	3,349	14,319	7,793	(424,089)	(26,160)	49,475
Loss for the year	—	—	—	—	—	(41,613)	(41,613)	(41,613)
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	—	—	—	485	—	—	485	485
Total comprehensive income/(expense) for the year	—	—	—	485	—	(41,613)	(41,128)	(41,128)
Equity-settled share option arrangements	—	—	—	—	2,469	—	2,469	2,469
Transfer of share option reserve on the forfeited share options	—	—	—	—	(221)	221	—	—
At 31 March 2014	75,635	372,468	3,349	14,804	10,041	(465,481)	(64,819)	10,816
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	75,635	372,468	3,349	14,319	7,793	(424,089)	(26,160)	49,475

Notes:

(a) Statutory reserve fund

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

(b) 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), 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.

Notes:

1.1 STATEMENT OF COMPLIANCE

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

1.2 BASIS OF PREPARATION

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The measurement basis used in the preparation of the consolidated financial statements is the historical cost convention, except for investment property which has been measured at fair value. These summary of consolidated financial statements are presented in Hong Kong dollars which is also the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

The Group's major subsidiaries are operated in the PRC with Renminbi ("RMB") as their functional currency.

The Group had incurred loss for the year attributable to equity holders of the Company of approximately HK$41,613,000 (2013: HK$29,377,000) for the year ended 31 March 2014 and had a net operating cash outflow of approximately HK$27,313,000 (2013: HK$25,746,000) during the year ended 31 March 2014. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when the fall due for the next twelve months from 31 March 2014 on the basis that:

(a) The management has taken various cost control measures to tighten the costs of operations and reduce various general and administrative expenses; and

(b) Three of the substantial shareholders of the Company, who beneficially own 296,534,619 ordinary shares of the Company, representing 39.20% of the total issued share capital of the Company on 31 March 2014, agreed to provide financial support and working capital to the Company until the Company has sufficient funds for the continuing operations of the Group so as to meet its liabilities and to pay financial obligations to third parties as and when they fall due to continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from 31 March 2014.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the Directors as described above. The consolidated financial statements of the Group have been prepared on a going concern basis and therefore do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2014. 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 assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 1	*Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
Amendments to HKFRS 7	*Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 13	*Fair Value Measurement*
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities — Transition Guidance*
Annual Improvements 2009–2011 Cycle	*Amendments to a number of HKFRSs issued in June 2012*

Except for the amendments to HKAS 1, the application of these new HKFRSs has no material impact on the results and the financial position of the Group.

The nature of the impending changes in accounting policy on adoption of the amendments to HKAS 1 is described below.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012.

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

2.2 HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Name of HKFRS	Principal nature
Effective for annual periods beginning on or after 1 January 2014:	
Amendments to HKAS 32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*	The amendments mainly clarify the requirements for offsetting financial instruments.
Amendments to HKAS 36 *Impairment of Assets — Recoverable Amount Disclosures for Non-financial Assets*	The amendments mainly contain certain disclosure requirements of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
HK (IFRIC)-Int 21 *Levies*	It addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements.
Mandatory effective date yet to be determined but is available for adoption:	
HKFRS 9 *Financial Instruments*	It revises the basis in determining whether a financial asset is measured at amortised cost or fair value by the way an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.
Additions to HKFRS 9 *Financial Instruments — Financial Liabilities*	The additions mainly prescribe requirements on the accounting for financial liabilities.

Apart from the above, the HKICPA has issued Improvements to HKFRSs pursuant to the Annual Improvements Projects: *Annual Improvements to HKFRSs 2010–2012 Cycle* and *Annual Improvements to HKFRSs 2011–2013 Cycle*, which contain amendments to HKFRS 1, HKFRS 2, HKFRS 3, HKFRS 8, HKFRS 13, HKAS 16, HKAS 24, HKAS 38 and HKAS 40. Those amendments that may relevant to the Group are as follows:

Name of HKFRS	Principal nature
Amendments to HKFRS 2 *Share-based Payment*	The amendments mainly amend the definitions of "vesting condition" and "market condition" and add definitions for "performance condition" and "service condition". An entity should apply that amendments to share-based payment transactions for which the grant date is on or after 1 July 2014.

Amendments to HKFRS 3 *Business Combinations*	One of those amendments requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date. An entity shall apply this amendment prospectively to business combinations for which the acquisition date is on or after 1 July 2014. Further amendments to HKFRS 3 clarify that HKFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
Amendments to HKFRS 8 *Operating Segments*	The amendments were mainly about the disclosures related to aggregation of operating segments, and reconciliation of segment assets.
Amendments to HKFRS 13 *Fair Value Measurement*	The amendments mainly clarify that issuing HKFRS 13 and amending HKFRS 9 and HKAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only). They also clarify the scope of the portfolio exception.
Amendments to HKAS 16 *Property, Plant and Equipment*	The amendments mainly clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.
Amendments to HKAS 24 *Related Party Disclosures*	The amendments mainly clarify how payments to entities providing management services are to be disclosed.
Amendments to HKAS 40 *Investment Property*	The amendments mainly clarify the interrelationship of HKFRS 3 and HKAS 40 when classifying property as investment property or owner-occupied property.

Except for those specifically stated above, the amendments contained in *Annual Improvements to HKFRSs 2010–2012 Cycle* and *Annual Improvements to HKFRSs 2011–2013 Cycle* are effective for annual periods beginning on or after 1 July 2014, although entities are permitted to apply them earlier.

The Group is currently assessing the impact of these new or revised HKFRSs upon their initial application but is not yet in a position to state whether they would have any significant impact in its results of operation and financial position. It is anticipated that all of the pronouncements will be adopted in the Group's accounting policy in the accounting period when they first becomes effective.

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 and assets are located in the Mainland China.

Information about major customers

During the year ended 31 March 2014, revenue of approximately HK$13,329,000 (2013: HK$20,337,000) and approximately HK$4,949,000 (2013: HK$15,027,000) were derived from services rendered to two (2013: two) customers. No other single customer contributed 10% or more to the Group's revenue for both the year ended 31 March 2014 and 2013.

4. REVENUE, OTHER INCOME AND GAINS

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

An analysis of the Group's revenue, other income and gains is as follows:

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Services income	**24,209**	57,161
Other income and gains		
Bank interest income	**503**	528
Investment income	**494**	477
Net foreign exchange gains	**88**	—
Gain on disposal of items of property, plant and equipment	**51**	—
Fair value gain on an investment property	**284**	991
Others	**536**	337
	1,956	2,333
	26,165	59,494

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2014	2013
	HK$'000	*HK$'000*
Interest on:		
bank borrowing wholly repayable within five years	**164**	165
bank overdrafts	**2**	98
Total borrowing costs	**166**	263

6. LOSS BEFORE TAX

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

	2014	2013
	HK$'000	*HK$'000*
Cost of services provided*	**11,919**	29,840
Depreciation*	**1,568**	1,504
Minimum lease payments under operating leases in respect of:		
Land and buildings	**2,707**	2,583
Motor vehicles	**—**	111
Auditors' remuneration	**550**	550
Employee benefits expense (including Directors' remuneration)*#:		
Wages, salaries, allowances and benefits in kind	**22,759**	23,628
Equity-settled share option arrangements	**2,469**	380
Pension scheme contributions (defined contribution schemes)	**2,858**	3,920
Severance payments	**632**	155
	28,718	28,083
Exchange (gains)/losses, net	**(88)**	53
Impairment allowances on trade receivables	**1,348**	730
Impairment on other receivables	**818**	—
Gain on disposal of items of property, plant and equipment	**(51)**	—
Research and development costs#	**3,368**	4,646
Bank interest income	**(503)**	(528)
Investment income	**(494)**	(477)
Fair value gain on an investment property	**(284)**	(991)

* The cost of services provided includes depreciation and employee benefits expense totalling approximately HK$4,570,000 for the year ended 31 March 2014 (2013: HK$4,412,000), which is also included in the respective total amount separately disclosed above.

\# The research and development costs for the year include approximately HK$3,365,000 (2013: HK$4,646,000) 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 (EXPENSE)/CREDIT

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the years ended 31 March 2014 and 2013. The under-provision of Hong Kong profits tax for the year ended 31 March 2013 represented Hong Kong profits tax calculated at the rate of 16.5% on the assessable profits arising in Hong Kong for 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.

	2014	2013
	HK$'000	*HK$'000*
Current — Hong Kong:		
Under-provision in prior years	**—**	1
Current — Elsewhere:		
Charge for the year	**6**	6
Deferred	**—**	(74)
Total tax charged/(credited) for the year	**6**	(67)

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of approximately HK$41,613,000 (2013: HK$29,377,000), and the numbers of ordinary shares of 756,355,000 (2013: 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 2014 and 2013.

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:

	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**3,433**	9,943
4 to 6 months	**922**	2,020
7 to 12 months	**670**	927
Over 1 year	**172**	541
Trade receivables, net	**5,197**	13,431

The Group's trade receivables, which generally have credit terms of one month to three months (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.

10. PLEDGED DEPOSITS

At 31 March 2013, pledged deposits represent deposits pledged to banks to secure a bank loan and other banking facilities granted to the Group. The pledged deposit for the bank loan was released upon full repayment during the year. The pledged deposit remained at 31 March 2014 represented deposit pledged to other banking facilities.

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:

	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**50**	3,945
4 to 6 months	**59**	5,057
7 to 12 months	**3,582**	165
Over 1 year	**6,261**	3,467
	9,952	12,634

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. The bank borrowing was repayable within one year, bore interest at HIBOR plus 2% per annum and was secured by a pledge deposit of approximately HK$12,500,000. During the year ended 31 March 2014, the bank loan was fully repaid.

13. SHARE CAPITAL

	2014	2013
	HK$'000	*HK$'000*
Authorised:		
2,500,000,000 (2013: 2,500,000,000) ordinary shares of HK$0.10 each	**250,000**	250,000
Issued and fully paid:		
756,355,000 (2013: 756,355,000) ordinary shares of HK$0.10 each	**75,635**	75,635

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 March 2014 (2013: nil).

AUDIT OPINION

The auditors of the Group have issued an opinion with emphasis of matter on the consolidated financial statements of the Group for the year under audit. An extract of the auditors' report is set out in the section headed "EXTRACT OF THE AUDITORS' REPORT" below.

EXTRACT OF THE AUDITORS' REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 2.1* to the consolidated financial statements, which states that the Group incurred a net loss of approximately HK$41,613,000 during the year ended 31 March 2014. This condition, along with other matters set forth in note 2.1* to the consolidated financial statements, indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern.

* *As reproduced in note 1.2 of this announcement*

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

During the year, wireless music search services ("WMS Services") remained as the major income stream of the Group. The volatility and unstable market policies from telecommunication operators in the PRC brought about most difficult business environment to the industry than ever. Prosten is not immune to the impact of the increase in already stringent supervision. Furthermore, for the past few years, technology has transformed the way we communicate, in part due to the advent of the Internet to our mobile phones. The emerging technologies changed the overall communication mode and habits of end-users. As the industry's competitive landscape are going through significant structural changes, traditional wireless value-added service providers like us are unavoidably experiencing downward pressure from the market.

The unexpected market constraints caused a major downturn in deployment of our products and services which hit an unprecedented low. Consolidated revenue for the year ended 31 March 2014 was approximately HK$24.2 million, representing a decrease of approximately 57.6% over the last year's revenue of approximately HK$57.2 million. In previous announcements and reports, the Group already reported the impacts to the Group's financial performance as a result of the prolonged discussion with a subsidiary of China Mobile Limited ("China Mobile") for which a new charging model in relation to the Group's WMS Services via China Mobile network was made. Such impacts also caused a decrease in the Group's revenue.

Cost of sales

As a result of decline in revenue, cost of sales of the Group decreased from approximately HK$29.8 million for the year ended 31 March 2013 to approximately HK$11.9 million for the year ended 31 March 2014 representing a decrease of approximately 60.1%.

Gross profit margin

During the year, the Group has gradually moved away from products with less attractive returns with the target to maintain its gross profit margin. As a result, the Group is able to master an increase in gross profit margin to about 50.7% in current year.

Other income and gains

During the year, other income and gains amounted to approximately HK$2.0 million, which was decreased by approximately HK$0.3 million as compared with that of 2013 (2013: HK$2.3 million). The decrease was due to decrease in fair value gain on an investment property.

Selling expenses

For the year ended 31 March 2014, as a result of restructuring of the selling teams and tight control over promotional activities, the Group's selling expenses decreased by approximately HK$3.7 million to approximately HK$11.4 million (2013: HK$15.1 million).

Administrative expenses

Administrative expenses experienced an increase of approximately HK$1.9 million from approximately HK$38.2 million for the year ended 31 March 2013 to approximately HK$40.1 million for the year ended 31 March 2014. The increase was mainly due to the impairment made against doubtful debts of about HK$1.3 million and impact of share options issued in December 2013 which are immediately vested with the grantees with value of about HK$2.0 million.

Other expenses

Other expenses mainly represented expenses for research and development and expenses of other non-operating activities. Other expenses decreased from approximately HK$5.4 million in 2013 to approximately HK$4.2 million in 2014 which was mainly due to the decrease in non-operating staff costs during the year under review.

Result for the year

The Group's loss attributable to equity holders of the Company amounted to approximately HK$41.6 million, as compared to a loss of approximately HK$29.4 million in 2013. The increase was mainly due to the decrease in revenue.

Total equity

As at 31 March 2014, the total equity of the Group was approximately HK$10.8 million (2013: HK$49.5 million) and the net current assets of the Group was approximately HK$0.6 million (2013: HK$39.4 million) with a current ratio (calculated by dividing current assets to current liabilities) of 1.0 (2013: 2.1). The decrease in the total equity, net current assets and current ratio was mainly due to the loss incurred during the year.

Liquidity and financial resources

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

During the year under review, the Group mainly financed its operations by revenue generated from its operations. As at 31 March 2014, total cash and cash equivalents and pledged bank deposits of the Group amounted to approximately HK$12.6 million and HK$0.3 million respectively, representing a decrease of approximately HK$26.5 million and HK$12.4 million from approximately HK$39.1 million and approximately HK$12.7 million as at 31 March 2013. The Group's cash resources was used up to finance the operations of the Group, while the pledged deposit was used to fully repaid of the Group's bank loan during the year. Thus, as at 31 March 2014, the Group's gearing ratio (calculated by total bank borrowings over total equity) was 0% (2013: 23.0%). There was no seasonality as to the Group's borrowing requirements and no committed borrowing facilities.

Treasury policies and foreign currency exchange exposure

As most of the Group's trading transactions, monetary assets and liabilities are denominated in Renminbi and Hong Kong dollar, the impact of foreign exchange exposure to the Group was minimal and there was no significant adverse effect on normal operations.

Cash is generally deposited at banks in the PRC and Hong Kong and denominated mostly in Renminbi and Hong Kong dollar. As at 31 March 2014, no related hedges were made by the Group (2013: nil).

Contingent Liabilities

As at 31 March 2014, the Group had no material contingent liabilities (2013: 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 2014 (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 year under review.

Employee and Remuneration Policy

As at 31 March 2014, the Group had a total of 75 employees (2013: 112). Total staff costs for the year ended 31 March 2014 slightly increased to approximately HK$28.7 million (2013: HK$28.1 million) mainly due to the increase in expenses related to share options granted in December 2013.

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

For the 2014 financial year, with the rapid growth of the mobile internet users, the Group has developed new products during the year under review. In addition to the provision of existing wireless music search and entertainment services, we also developed the application supporting internet and mainstream mobile phone platforms.

The Mi-Cu Ringtone (咪咕鈴聲) is a project aiming at deepening the cooperation with China Mobile Music Base (中國移動音樂基地). It allows the users to search music, download ringtones and polyphonic ringtones as well as sharing their music in friend zone through wireless devices or smart mobiles.

The lottery interaction zone is a fully open lottery community. It enables lottery users to interact with others by publishing long articles containing lottery commentaries and analytical information of lottery on the microblog and helps to form close relationship between users and lottery types when lottery users focus on specific types of lotteries. This will help our lottery website to determine which lotteries users prefer to buy and provide users with customized contents including lottery information and bet solutions, allowing the users to obtain more useful information for placing bets on lottery more accurately.

Meanwhile, the Group will continue its cooperation with China Mobile on wireless music search projects and will launch a new operation support project with China Mobile Music Base, which is designed to enhance the active participation of special members of China Mobile Wireless Music Base to improve their frequency and efficiency of use. The members of which have now exceeded 100 million. We will work together with China Mobile Music Base, put much effort on information collection and conduct innovative marketing campaign in order to enhance the active participation of Mi-Cu special members.

With the popularization of the 4G technology, the business focus of the operators has shifted to dataflow-based business. We are now proactively developing an application to promote dataflow consumption and manage dataflow in a reasonable way, whilst at the same time, actively seeking for opportunities in the e-commence industry as well as establishing new business model by integrating the traditional manufacturing corporates and internet and mobile internet. Our product innovation capability and extensive operating experience in mobile internet represents the critical factors for the Group's future success.

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 2014.

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 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, 23 June 2014

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. Mah Yong Sun and Mr. Han Jun (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 for at least 7 days from the day of its posting and on the Company's website at www.prosten.com.