



# PROSTEN TECHNOLOGY HOLDINGS LIMITED

長達科技控股有限公司\*

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

(Stock Code: 8026)

## FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 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.

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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 three months ended 30 June 2014 amounted to about HK\$2.4 million, representing a 75% decrease as compared to the corresponding period in the previous financial year.
- The Group's gross profit for the three months ended 30 June 2014 was about HK\$1.5 million, decreased by about HK\$3.5 million compared with the same period of last year.
- Loss attributable to equity holders of the Company for the three months ended 30 June 2014 amounted to about HK\$10.7 million, which represented an increase in loss of about HK\$2.8 million compared with the three months ended 30 June 2013.
- The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2014.

## UNAUDITED CONSOLIDATED RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 June 2014 together with the comparative unaudited figures for the three months ended 30 June 2013 as follows:

		<b>Three months ended 30 June</b>	
	Notes	<b>2014</b>	2013
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>	2	<b>2,400</b>	9,512
Cost of sales		<u>(939)</u>	<u>(4,492)</u>
<b>Gross profit</b>		<b>1,461</b>	5,020
Other income and gains		<b>126</b>	249
Selling expenses		<b>(866)</b>	(3,284)
Administrative expenses		<b>(10,453)</b>	(8,916)
Other expenses		<b>(999)</b>	(923)
Finance costs		<u>(10)</u>	<u>(81)</u>
<b>Loss before tax</b>		<b>(10,741)</b>	(7,935)
Income tax expense	3	<u>—</u>	<u>—</u>
<b>Loss for the period attributable to equity holders of the Company</b>		<b>(10,741)</b>	(7,935)
<b>Other comprehensive income:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>—</u>	<u>515</u>
<b>Total comprehensive expense for the period attributable to equity holders of the Company</b>		<u><b>(10,741)</b></u>	<u>(7,420)</u>
<b>Loss per share attributable to equity holders of the Company</b>	4		
Basic		<u><b>HK(1.40) cents</b></u>	<u>HK(1.05) cents</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>

Notes:

## 1. Basis of Preparation

The Group's unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. In addition, the unaudited consolidated results include applicable disclosures required by the GEM Listing Rules. The measurement basis used in the preparation of the unaudited consolidated results is the historical cost convention, except for 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 2014, except that the Group has adopted a number of new or revised HKFRSs, which are newly effective for the period under review. The adoption of these new or revised HKFRSs had no significant effect on the financial results of the current period. Accordingly, no significant change in accounting policies and no prior period adjustment is required.

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

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

## 2. Revenue

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

## 3. Income Tax Expense

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the three months ended 30 June 2014 (three months ended 30 June 2013: 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.

	<b>Three months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Deferred and total tax expense for the period	—	—

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

The calculation of the basic loss per share amount is based on the unaudited consolidated loss for the period attributable to equity holders of the Company of about HK\$10,741,000 (three months ended 30 June 2013: HK\$7,935,000), and the number of ordinary shares of 756,355,000 (three months ended 30 June 2013: 756,355,000) in issue during the period.

No diluted loss per share is disclosed as there were no dilutive potential ordinary shares as at 30 June 2014 and 30 June 2013.

#### 5. Reserves

	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	Total HK\$'000
At 1 April 2014 (audited)	372,468	3,349	14,804	10,041	(465,481)	(64,819)
Loss for the period (unaudited)	—	—	—	—	(10,741)	(10,741)
Total comprehensive expense for the period (unaudited)	—	—	—	—	(10,741)	(10,741)
Equity-settled share option arrangements (unaudited)	—	—	—	140	—	140
Transfer of share option reserve on the forfeited share options (unaudited)	—	—	—	(3)	3	—
At 30 June 2014 (unaudited)	<u>372,468</u>	<u>3,349</u>	<u>14,804</u>	<u>10,178</u>	<u>(476,219)</u>	<u>(75,420)</u>
At 1 April 2013 (audited)	372,468	3,349	14,319	7,793	(424,089)	(26,160)
Loss for the period (unaudited)	—	—	—	—	(7,935)	(7,935)
Other comprehensive income for the period (could be reclassified subsequently to profit or loss):						
Exchange differences on translation of foreign operations (unaudited)	—	—	515	—	—	515
Total comprehensive income/ (expense) for the period (unaudited)	—	—	515	—	(7,935)	(7,420)
Equity-settled share option arrangements (unaudited)	—	—	—	56	—	56
Transfer of share option reserve on the forfeited share options (unaudited)	—	—	—	(1)	1	—
At 30 June 2013 (unaudited)	<u>372,468</u>	<u>3,349</u>	<u>14,834</u>	<u>7,848</u>	<u>(432,023)</u>	<u>(33,524)</u>

*Notes:*

(a) Statutory reserve fund

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

(b) 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.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2014 (three months ended 30 June 2013: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

#### ***Result***

During the period under review, the business environment still dormant the Group's performance. Revenue of the Group for the three months ended 30 June 2014 amounted to about HK\$2.4 million, representing a decrease of about 74.7% as compared to that of about HK\$9.5 million for the three months ended 30 June 2013 which is mainly the result of decrease in revenue from other business partners in the wireless value-added services sector.

As a result of the decrease in revenue, the Group's cost of sales for the period under review decreased to about HK\$1.0 million from about HK\$4.5 million for the three months ended 30 June 2013 and the Group's gross profit decreased to about HK\$1.5 million for the three months ended 30 June 2014 compared to that of about HK\$5.0 million for the corresponding period last year.

Other income and gains in the period under review mainly represented investment income. Overall other income and gains decreased from about HK\$0.2 million for the three months ended 30 June 2013 to about HK\$0.1 million in current period. Other income and gains for the three months ended 30 June 2013 include gain from revaluation of fair value of an investment property and there is no such gain in current period.

Selling expenses amounted to about HK\$0.9 million for the three months ended 30 June 2014, which was decreased by about 72.7% compared to that of about HK\$3.3 million for the three months ended 30 June 2013. The decrease was mainly due to tight cost control and decrease in promotional marketing activities.

Administrative expenses has increased from about HK\$8.9 million for the three months ended 30 June 2013 to about HK\$10.5 million for the three months ended 30 June 2014, representing an increase of about 18.0%. The increase was mainly due to increase in staff cost (including key personnel) and office expenses.

Other expenses for the three months ended 30 June 2014 was in line with that for the three months ended 30 June 2013.

Due to a combination of the effect stated above, the Group's loss attributable to equity holders of the Group amounted to about HK\$10.7 million in the period under review, represented an increase in loss of about HK\$2.8 million as compared to that of about HK\$7.9 million in the first quarter of last year.

### ***Financial position***

As at 30 June 2014, the total equity of the Group was approximately HK\$0.2 million (31 March 2014: HK\$10.8 million). The decrease was mainly due to the loss incurred during the period under review.

### ***Liquidity and Financial Resources***

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, denominated mostly in Renminbi and Hong Kong dollars. Cash is generally deposited with banks and denominated mostly in Renminbi and Hong Kong dollars.

During the period under review, the Group mainly financed its operations by revenue generated from its operations and the bank deposits held by the Group. As at 30 June 2014, total cash and bank balances (including pledged bank deposits) of the Group amounted to approximately HK\$4.4 million, representing an decrease of approximately HK\$8.4 million from approximately HK\$12.8 million as at 31 March 2014.

As at 30 June 2014, the Group did not have bank borrowing and the gearing ratio (calculated by total bank borrowings over total equity) was 0% (31 March 2014: 0%). There was no seasonality as to the Group's borrowing requirements and no committed borrowing facilities.

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

As most of the Group's trading transactions, monetary assets and liabilities are denominated in Renminbi and Hong Kong dollars, the impact of foreign exchange exposure to the Group was minimal and there was no significant adverse effect on normal operations. As at 30 June 2014, no related hedges were made by the Group (31 March 2014: nil).

## **Contingent Liabilities**

As at 30 June 2014, the Group had no material contingent liabilities (31 March 2014: 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 period under review.

## **Business Review and Outlook**

During the first quarter of 2014, tight policies were continued for domestic telecommunication industry. The PRC government has strengthened the purification of internet content and requested operators to actively and significantly reduce their marketing expenses. Consequently, operators generally cut down their expenses for co-marketing and reduced support costs. During the quarter, revenue from the wireless music search project operated with China Mobile Limited on a long-term basis and from the music end-user based project was lower than that of the previous financial period on a quarter-to-quarter basis as it was also impacted by the negative policies such as cutting marketing expenses by operators.

Market conditions for support projects with operators are increasingly challenging, and the Group is also actively seeking to strategically transform its business focus to open mobile internet market from the operator-cooperative support business market. We are actively developing applications which support internet and mainstream mobile phone platforms, including the Mi-Cu Ringtone (already launched), the lottery interaction zone, the lottery terminal, chess and card games for mobile phone. The Group will continuously strengthen its marketing and channel efforts, increase user base for new businesses and improve the quality of our products over the next quarter.

New business models and opportunities are emerging with the rapid development of the mobile internet. The Group will significantly cut back on the expenditure for projects with operators, invest capital to support new businesses and devote more resources to research and development team. The Group will continue its strategic transformation and seize any opportunity brought by the booming growth of the mobile internet to implement its new business deployment and strategies.

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

As at 30 June 2014, 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 June 2014.

### Long positions in underlying shares of the Company

#### Share Options

The Company adopts and administers a share option scheme which is currently in force and effect for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company's original share option scheme was approved by the shareholders 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.

The following Directors were granted share options under the 2002 Scheme and the New Scheme to subscribe for shares of the Company, details of which are as follows:

Name of Director	Number of share options				At 30 June 2014	Date of share options granted	Exercise period of share options granted	Exercise price of share options granted HK\$ per share
	At 1 April 2014	Granted during the period	Exercised during the period	Lapsed during the period				
Ms. Li Luyi	4,000,000	—	—	—	4,000,000	9 February 2010	9 February 2010 to 8 February 2020	0.66
	2,500,000	—	—	—	2,500,000	23 November 2010	23 November 2010 to 22 November 2020	0.27
Mr. Yip Heon Keung	7,000,000	—	—	—	7,000,000	5 December 2013	5 December 2013 to 4 December 2023	0.165
Mr. Yip Heon Ping	7,000,000	—	—	—	7,000,000	5 December 2013	5 December 2013 to 4 December 2023	0.165

As at 30 June 2014, the Company had outstanding options to subscribe for up to 28,510,000 shares under the 2002 Scheme and 30,750,000 shares under the New Scheme.

Save as disclosed above, as at 30 June 2014, 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 June 2014, 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	301,095,619	39.81%
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, an Executive Director.
- (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.
- (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, an Executive Director, 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, 114,851,701 shares of the Company as the beneficial owner of Century and personally interested in 561,000 shares of the Company. In addition, he is also entitled to his share options to subscribe for 4,000,000 shares of the Company in his capacity as an employee of the Group.
- (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 June 2014.

Save as disclosed above, as at 30 June 2014, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **COMPETING INTERESTS**

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

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

During the three months ended 30 June 2014, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the three months ended 30 June 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 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 August 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. Han Jun (a non-executive Director); 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).*