



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 2014

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

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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 2014 amounted to about HK\$5.5 million, representing about 66.7% decrease as compared to the corresponding period in the previous financial year.
- The Group's gross profit for the six months ended 30 September 2014 was about HK\$3.8 million, decreased by about HK\$4.6 million compared with the same period of last year.
- Loss attributable to equity holders of the Company for the six months ended 30 September 2014 amounted to about HK\$16.9 million, which represented a decrease in loss of about HK\$1.1 million compared with the same period of 2013.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2014.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

Six months and three months ended 30 September 2014

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 2014 together with the unaudited comparative figures for the corresponding periods in 2013 as follows:

	Notes	Six months ended 30 September		Three months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Revenue	3	5,469	16,532	3,069	7,020
Cost of sales		<u>(1,706)</u>	<u>(8,099)</u>	<u>(767)</u>	<u>(3,607)</u>
Gross profit		3,763	8,433	2,302	3,413
Other income and gains		370	435	244	186
Selling expenses		(1,466)	(6,582)	(600)	(3,298)
Administrative expenses		(17,705)	(18,363)	(7,252)	(9,447)
Other expenses		(1,851)	(1,844)	(852)	(921)
Finance costs		(10)	(121)	—	(40)
Loss before tax	4	(16,899)	(18,042)	(6,158)	(10,107)
Income tax expense	5	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Loss for the period attributable to equity holders of the Company		(16,899)	(18,042)	(6,158)	(10,107)
Other comprehensive income					
Exchange differences on translation of foreign operations		<u>—</u>	<u>625</u>	<u>—</u>	<u>110</u>
Total comprehensive expense for the period		<u>(16,899)</u>	<u>(17,417)</u>	<u>(6,158)</u>	<u>(9,997)</u>
Loss per share attributable to equity holders of the Company	6				
Basic		<u>(HK2.2 cents)</u>	<u>(HK2.4 cents)</u>	<u>(HK0.8 cents)</u>	<u>(HK1.3 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2014

	Notes	30 September 2014 <i>HK\$'000</i> (Unaudited)	31 March 2014 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	7	2,802	3,373
Investment property		4,359	4,767
Deposits		371	371
Available-for-sale investments		831	831
Goodwill		—	—
Deferred tax assets		1,394	1,394
		<u>9,757</u>	<u>10,736</u>
Total non-current assets			10,736
CURRENT ASSETS			
Trade receivables	8	4,202	5,197
Prepayments, deposits and other receivables		7,129	7,835
Pledged deposits	9	250	250
Cash and cash equivalents	9	532	12,570
		<u>12,113</u>	<u>25,852</u>
Total current assets			25,852
CURRENT LIABILITIES			
Trade payables	10	9,695	9,952
Other payables and accruals		12,795	11,455
Due to Directors		1,383	535
Tax payable		3,331	3,331
		<u>27,204</u>	<u>25,273</u>
Total current liabilities			25,273
NET CURRENT ASSETS/(LIABILITIES)		<u>(15,091)</u>	579
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(5,334)</u>	11,315
NON-CURRENT LIABILITY			
Deferred tax liability		499	499
NET ASSETS/(DEFICIT IN ASSETS)		<u>(5,833)</u>	10,816
EQUITY/(DEFICIT IN ASSETS)			
Equity attributable to equity holders of the Company			
Issued capital	11	75,635	75,635
Reserves		(81,468)	(64,819)
TOTAL EQUITY/(DEFICIT IN ASSETS)		<u>(5,833)</u>	10,816

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2014

	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 2014 (audited)	75,635	372,468	3,349	14,804	10,041	(465,481)	(64,819)	10,816
Loss for the period (unaudited)	—	—	—	—	—	(16,899)	(16,899)	(16,899)
Total comprehensive expense for the period (unaudited)	—	—	—	—	—	(16,899)	(16,899)	(16,899)
Equity-settled share option arrangements (unaudited)	—	—	—	—	250	—	250	250
Transfer of share option reserve on the forfeited share options (unaudited)	—	—	—	—	(119)	119	—	—
At 30 September 2014 (unaudited)	<u>75,635</u>	<u>372,468</u>	<u>3,349</u>	<u>14,804</u>	<u>10,172</u>	<u>(482,261)</u>	<u>(81,468)</u>	<u>(5,833)</u>
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>

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 2014

	Six months ended	
	30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash flows used in operating activities	(12,384)	(14,861)
Net cash flows generated from investing activities	356	168
Net cash flows used in financing activities	<u>(10)</u>	<u>—</u>
Net decrease in cash and cash equivalents	(12,038)	(14,693)
Cash and cash equivalents at beginning of period	12,570	39,050
Effect of foreign exchange rate changes, net	<u>—</u>	<u>382</u>
Cash and cash equivalents at end of period	<u>532</u>	<u>24,739</u>
 Analysis of cash and cash equivalents		
Cash and bank balances	532	22,196
Non-pledged time deposits with original maturity of less than three months when acquired	<u>—</u>	<u>2,543</u>
Cash and cash equivalents as stated in the consolidated statement of financial position and condensed consolidated statement of cash flows	<u>532</u>	<u>24,739</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 change in significant 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 policies 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. 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 2014, revenue of approximately HK\$5,235,000 was derived from services rendered to one customer (2013: HK\$5,289,000 and HK\$4,147,000 were derived from services rendered to two customers). During the three months ended 30 September 2014, revenue of approximately HK\$3,069,000 was derived from services rendered to one customer (2013: HK\$2,380,000 and HK\$1,328,000 were derived from services rendered to two customers). Except as disclosed above, no other single customer contributed 10% or more to the Group's revenue for both the six months and three months ended 30 September 2014 and 2013.

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	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation	584	785	284	467
Minimum lease payments under operating leases in respect of:				
Land and buildings	1,074	1,168	490	577
Employee benefits expense	12,623	12,858	5,023	6,463
Investment income	(216)	(218)	(106)	(110)

5. 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 six months and three months ended 30 September 2014 (six months and three months ended 30 September 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.

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 2014 are based on the unaudited loss for the periods attributable to equity holders of the Company of about HK\$16,899,000 (six months ended 30 September 2013: HK\$18,042,000) and about HK\$6,158,000 (three months ended 30 September 2013: HK\$10,107,000) respectively, and the numbers of ordinary shares of 756,355,000 in issue for both the six months and three months ended 30 September 2014 (both six months and three months ended 30 September 2013: 756,355,000).

No diluted loss per share for the periods are calculated as there were no dilutive potential ordinary shares as at 30 September 2014 and 2013.

7. Property, Plant and Equipment

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

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Net book value, at beginning of period/year	3,373	3,907
Additions for the period/year	13	1,068
Disposal for the period/year	—	(39)
Depreciation for the period/year	(584)	(1,568)
Exchange realignment for the period/year	—	5
	<u>2,802</u>	<u>3,373</u>

8. Trade Receivables

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Trade receivables	5,316	6,311
Impairment allowances	<u>(1,114)</u>	<u>(1,114)</u>
	<u>4,202</u>	<u>5,197</u>

The Group's trade receivables, which generally have credit terms of one month to three months (31 March 2014: 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 72% (31 March 2014: 76%) of the balance represented a receivable from a customer with the largest trade receivable balances at end of reporting period. The trade receivables balances as at 30 September 2014 contributed by the five largest customers of the six months ended 30 September 2014 was 95% (31 March 2014: 95%). Trade receivables are unsecured and non-interest-bearing.

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

	30 September	31 March
	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within three months	3,022	3,433
4 to 6 months	353	922
7 to 12 months	291	670
Over 1 year	536	172
	<u>4,202</u>	<u>5,197</u>

The Group does not hold any collateral or other credit enhancements over these balances.

9. Cash and Cash Equivalents and Pledged Deposits

	30 September	31 March
	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Cash and bank balances	532	10,075
Time deposits	250	2,745
	<u>782</u>	<u>12,820</u>
Less: Pledged time deposits for banking facilities	<u>(250)</u>	<u>(250)</u>
Cash and cash equivalents	<u>532</u>	<u>12,570</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:

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Within 3 months	—	50
4 to 6 months	—	59
7 to 12 months	86	3,582
Over 1 year	<u>9,609</u>	<u>6,261</u>
	<u>9,695</u>	<u>9,952</u>

11. Share Capital

	30 September 2014		31 March 2014	
	Number of shares	HK\$'000 (Unaudited)	Number of shares	HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.10 (31 March 2014: HK\$0.10) each	<u>2,500,000,000</u>	<u>250,000</u>	<u>2,500,000,000</u>	<u>250,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.10 (31 March 2014: HK\$0.10) each				
At beginning of period/year and at end of period/year	<u>756,355,000</u>	<u>75,635</u>	<u>756,355,000</u>	<u>75,635</u>

12. Commitments

(a) Operating lease arrangements

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years (31 March 2014: one to three years).

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

	30 September	31 March
	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Land and buildings:		
Within one year	3,327	3,174
In the second to fifth years, inclusive	<u>160</u>	<u>936</u>
	<u>3,487</u>	<u>4,110</u>

(b) Capital commitments

The Group has no significant capital commitment at the end of the reporting period (31 March 2014: nil).

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Result

Revenue

During the six months ended 30 September 2014, revenue from the Group's wireless music search ("WMS") services in the PRC remained as the main stream of income of the Group. The difficult business environment that created the most difficult business environment made the current year continued to be a challenging one for Prosten. As a result, revenue of the Group for the six months ended 30 September 2014 amounted to about HK\$5.5 million, representing a decrease of about 66.7% as compared to that of about HK\$16.5 million for the six months ended 30 September 2013.

The Group's directors believe the heart of the Group's business lies on our commitment to the end-users that Prosten has demonstrated in the past decade. While we are experiencing a downturn in turnover, the Group has used up its own internal resources and reserves for finance a high level service to them. The decrease in the revenue was mainly due to the downturn of revenue from the business partners for WMS services that is due to the difficult business environment on one hand and the Group's tight and prudent central over the limited existing funding available to WMS services business on the other hand. Moreover, the decrease in the Group's revenue is also attributable to the Group's strategy of gradually move away from other wireless services with less attractive returns such as reading and lottery. The progress of development of the Group's new products and co-operation with overseas business partners faced the same challenges and the Group has only maintained limited investment in those aspects.

For the same reason, the Group's revenue for three months ended 30 September 2014 decreased to about HK\$3.1 million from about HK\$7.0 million for the three months ended 30 September 2013.

Cost of sales

As a result of the decrease in revenue, the Group's cost of sales for the periods under review was about HK\$1.7 million and HK\$0.8 million for the six months and three months ended 30 September 2014, respectively, representing a decrease of about 79.0% and 77.8% compared to those of about HK\$8.1 million and HK\$3.6 million for the six months and three months ended 30 September 2013, respectively. Such decreases in cost of sales were in line with the decreases in revenue.

Other income and gains

Other income and gains mainly represented interest and investment income. The other income and gains was about HK\$0.4 million for the six months ended 30 September 2014 which is in line with that for the six months ended 30 September 2013. The same trend also shown in the other income and gains of about HK\$0.2 million for the three months ended 30 September 2014 which is comparable to that for the three months ended 30 September 2013.

Expenses

The Group's expenses mainly comprised selling expenses, administrative expenses and other expenses. Due to downturn of revenue, the Group has streamlined its staff structure for cost control purpose. As a result, the Group's selling expenses decreased to about HK\$1.5 million and HK\$0.6 million for the six months and three months ended 30 September 2014, representing decreases of about 77.3% and 81.8% compared with those for the six months and three months ended 30 September 2013, respectively. Administrative expenses decreased to about HK\$17.7 million and HK\$7.3 million for the six months and three months ended 30 September 2014, representing decreases of about 3.8% and 22.3% compared with those for the six months and three months ended 30 September 2013, respectively.

Others expenses mainly represented expenses for product and staff development and other non-operating expenses. Other expenses was about HK\$1.9 million and HK\$0.9 million for the six months and three months ended 30 September 2014, respectively, which are comparable to those of the same periods last year.

Loss for the periods

As a combination effect of the above, the loss attributable to equity holders of the Company for the first six months of this year amounted to about HK\$16.9 million, represented a decrease of loss of about HK\$1.1 million as compared to that of about HK\$18.0 million for the same period last year.

Financial Position

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 with banks.

During the six months and three months ended 30 September 2014, the Group has financed its operations mainly by revenue generated from its operations and its internal funding that has resulted in use up of the Group's cash and cash equivalents. As a result, cash and cash bank balances (including pledged bank deposits) as at 30 September 2014 was amounted to about HK\$0.8 million, representing a decrease of about HK\$12.0 million from about HK\$12.8 million as at 31 March 2014.

As at both 31 March 2014 and 30 September 2014, the Group has no bank loan and thus gearing ratio (bank loan over total equity) is 0% (31 March 2014: 0%). There was no seasonality as to the Group's borrowing requirements and no other committed borrowing facilities.

Total equity

Due to the loss in the periods and the use up of internal resources as described above, as at 30 September 2014, the Group has a deficit in assets amounted to about HK\$5.8 million (31 March 2014: total equity of about HK\$10.8 million) and net current liabilities amount to about HK\$15.1 million (31 March 2014: net current assets of about HK\$0.6 million).

Foreign currency exchange exposure and treasury policies

As most of the Group's trading transactions, monetary assets (including cash and cash equivalents) 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 2014, no related hedges were made by the Group (31 March 2014: nil).

Contingent liabilities

As at 30 September 2014, the Group had no material contingent liabilities (31 March 2014: nil).

Significant investments, acquisitions or disposals

There were no significant investments or material acquisitions or disposals by the Company during the periods ended 30 September 2014 (periods ended 30 September 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 2014, the Group had a total of 54 employees (31 March 2014: 75) and total staff cost for the six months ended 30 September 2014 was approximately HK\$12.6 million (six months ended 30 September 2013: HK\$12.9 million). The Group's remuneration policy is basically determined by the performance of individual employees and Directors and the market condition. In addition to salaries and discretionary bonuses, employee benefits included medical schemes, pension contributions, share option schemes and staff training.

Business Review and Outlook

During the second quarter of 2014, tight policies were continued for domestic telecommunication industry. Telecommunication operators generally have tight control on the co-marketing and supporting services costs. During the quarter, the WMS project operated with China Mobile Limited faced the same challenges.

China's mobile internet population is increasing on year-to-year basis with the raising use of smartphones and the improvement of networking infrastructure. As a result of the technology changes, the Group is therefore diversifying to the mobile internet market. We will continue to develop applications which support internet and mainstream mobile phone platforms, such as the Mi-Cu Ringtone (already launched) and games for mobile phone.

Looking ahead, there are still great challenges for the Group. While carrying out initiatives already under way in its current strategic plans, the Group will also critically review the future opportunities in its traditional businesses with a target to reallocate the Group's resources for a more fruitful manner. In the coming future, the Group will focus its work on strengthen its marketing and channel efforts, increasing user base and improving the quality of its products.

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

As at 30 September 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	180,682,918	23.89%
Mr. Yip Heon Ping	(2)	Object of a discretionary family trust and through a controlled corporation	180,682,918	23.89%

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 180,682,918 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 180,682,918 shares of the Company. Among these shares, 121,597,702 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 2014.

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 ^{***}				At 30 September 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	Transferred during the period	Lapsed during the period				
Director								
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>			
Other employees of the Group								
In aggregate	100,000	—	—	(100,000)	—	26 March 2004	26 March 2004 to 25 March 2014	0.100
In aggregate	700,000	—	—	(300,000)	400,000	10 May 2006	10 May 2006 to 9 May 2016	0.170
In aggregate	1,560,000	—	—	(30,000)	1,530,000	9 February 2010	9 February 2010 to 8 February 2020	0.660
In aggregate	2,050,000	—	—	(50,000)	2,000,000	23 November 2010	23 November 2010 to 22 November 2020	0.270
Others								
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>28,510,000</u>	<u>—</u>	<u>—</u>	<u>(680,000)</u>	<u>27,830,000</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 ^{***}				At 30 September 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	Transferred during the period	Lapsed during the period				
Directors								
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
	<u>14,000,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,000,000</u>			
Other employees of the Group								
In aggregate	2,800,000	—	—	(900,000)	1,900,000	27 March 2013	27 March 2013 to 26 March 2023	0.162
In aggregate	14,000,000	—	(1,000,000)	—	13,000,000	5 December 2013	5 December 2013 to 4 December 2023	0.165
Others								
In aggregate	—	—	1,000,000	—	1,000,000	5 December 2013	5 December 2013 to 4 December 2023	0.165
	<u>30,800,000</u>	<u>—</u>	<u>—</u>	<u>(900,000)</u>	<u>29,900,000</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 2014, the Company had outstanding options to subscribe for up to 27,830,000 shares under the 2002 Scheme and 29,900,000 shares under the New Scheme.

Save as disclosed above, as at 30 September 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 September 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	121,597,702	16.07%
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	180,682,918	23.89%
Mr. Yip Seng Mun	(2), (3), (4) & (5)	Founder of a discretionary family trust, beneficially owned and through controlled corporations	300,095,619	39.68%
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%

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)
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 180,682,918 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 180,682,918 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 September 2014.

Save as disclosed above, as at 30 September 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 six months ended 30 September 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 six months ended 30 September 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, 10 November 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 for at least 7 days from the day of its posting and on the Company’s website at www.prosten.com.