



# 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 2015

### 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 2015 amounted to approximately HK\$2.2 million, representing a decrease of approximately 6.3% as compared to the corresponding period in the previous financial year.
- The Group's gross profit for the three months ended 30 June 2015 was approximately HK\$1.9 million, increased by approximately HK\$0.4 million compared with the same period of last year.
- Loss attributable to equity holders of the Company for the three months ended 30 June 2015 amounted to approximately HK\$5.2 million, which represented a decrease in loss of approximately HK\$5.5 million compared with the three months ended 30 June 2014.
- The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2015.

## 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 2015 together with the comparative unaudited figures for the three months ended 30 June 2014 as follows:

		<b>Three months ended 30 June</b>	
	Notes	<b>2015</b>	2014
		<b>HK\$’000</b>	HK\$’000
		<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>	2	<b>2,249</b>	2,400
Cost of sales		<u>(356)</u>	<u>(939)</u>
<b>Gross profit</b>		<b>1,893</b>	1,461
Other income and gains		<b>14</b>	126
Selling expenses		<b>(929)</b>	(866)
Administrative expenses		<b>(5,987)</b>	(10,453)
Other expenses		<b>(227)</b>	(999)
Finance costs		<u>(10)</u>	<u>(10)</u>
<b>Loss before tax</b>		<b>(5,246)</b>	(10,741)
Income tax expense	3	<u>—</u>	<u>—</u>
<b>Loss for the period attributable to equity holders of the Company and total comprehensive expense for the period attributable to equity holders of the Company</b>		<u><b>(5,246)</b></u>	<u>(10,741)</u>
<b>Loss per share attributable to equity holders of the Company</b>	4		
Basic		<u><b>HK(0.66) cents</b></u>	<u>HK(1.40) 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 2015, 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 change in significant accounting policies and no significant effect on the financial results of the current period. There is no prior period adjustment 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 in the process of assessing the potential 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 a significant impact on the Group's results of operations and financial position. It is anticipated that all of the pronouncements relevant to the Group 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 2015 (three months ended 30 June 2014: 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>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Deferred and 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 approximately HK\$5,246,000 (three months ended 30 June 2014: HK\$10,741,000), and the weighted average number of ordinary shares of approximately 796,983,000 (three months ended 30 June 2014: 756,355,000) in issue during the period.

No diluted loss per share is calculated as there were no dilutive potential equity shares as at 30 June 2015 and 30 June 2014.

#### 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 2015 (audited)	378,628	3,349	14,787	611	(487,852)	(90,477)
Loss for the period (unaudited)	—	—	—	—	(5,246)	(5,246)
Total comprehensive expense for the period (unaudited)	—	—	—	—	(5,246)	(5,246)
Equity-settled share option arrangements (unaudited)	—	—	—	39	—	39
Exercise of share options (unaudited)	464	—	—	(288)	—	176
At 30 June 2015 (unaudited)	<u>379,092</u>	<u>3,349</u>	<u>14,787</u>	<u>362</u>	<u>(493,098)</u>	<u>(95,508)</u>
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>

*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 2015 (three months ended 30 June 2014: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

#### ***Revenue***

During the period under review, the Group recorded revenue of approximately HK\$2.2 million for the three months ended 30 June 2015, which was mainly derived from technical supporting services contracts with a major telecommunication operator in the PRC regarding wireless value-added service ("WVAS") in respect of music. As reported in previous reports and announcements, the Group has tied up its existing resources in these contracts to ensure the provision of high-quality services and thus resources available to other business areas were limited that resulted in a drop in revenue from other business partners of WVAS. As a result, the Group's revenue was decreased by approximately 6.3% as compared to the revenue of approximately HK\$2.4 million for the three months ended 30 June 2014.

#### ***Gross profit***

For the three months ended 30 June 2015, the Group's gross profit was amounted to approximately HK\$1.9 million, representing an increase of approximately HK\$0.4 million from that for the corresponding period last year. The increase in gross profit was mainly due to the decrease in direct operational staff costs during the period under review.

### ***Other income and gains***

Other income and gains for the three months ended 30 June 2015 decreased by approximately HK\$0.1 million as compared to that for the three months ended 30 June 2014 was mainly due to the decrease in investment income.

### ***Expenses***

Selling expenses for the three months ended 30 June 2015 was approximately HK\$0.9 million which is in line with that for the three months ended 30 June 2014.

Administrative expenses mastered a decrease of approximately HK\$4.5 million from approximately HK\$10.5 million for the three months ended 30 June 2014 to approximately HK\$6.0 million for the three months ended 30 June 2015. The decrease in such expenses was due to decrease in headcount and payroll expenses, which was off-set by the relatively high legal and professional fees incurred for an one-off corporate transaction during the period under review.

Other expenses, which mainly represented expenses for service and staff development and other non-operating expenses, decreased from approximately HK\$1.0 million for the three months ended 30 June 2014 to approximately HK\$0.2 million for the three months ended 30 June 2015. The decrease was mainly due to the decrease in non-operating staff costs during the period and the decrease in fair value of the investment property.

### ***Total equity***

Due to the loss in the period and the use up of internal resources as described above, as at 30 June 2015, the Group has a deficit in assets amounted to approximately HK\$15.6 million (31 March 2015: HK\$10.9 million) and net current liabilities amounted to approximately HK\$22.5 million (31 March 2015: HK\$18.1 million).

### ***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.

As at 30 June 2015, total cash and cash equivalents of the Group amounted to approximately HK\$0.9 million (31 March 2015: HK\$1.8 million). The Group's loan from third party, which was pledged by a property of the Group located in the PRC, amounted to approximately HK\$1.1 million as at 31 March 2015 was fully repaid during the three months ended 30 June 2015.

During the period under review, the Group financed its operations by funds generated from its operations and from the exercises of share options. Its cash resources were used up to finance the operations of the Group and repayment of the third party loan. 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 30 June 2015, no related hedges were made by the Group (31 March 2015: nil).

### ***Contingent liabilities***

As at 30 June 2015, the Group had no material contingent liabilities (31 March 2015: nil).

### ***Significant investments, acquisitions or disposals***

There were no significant investments or material acquisitions or disposals by the Company during the three months ended 30 June 2015 (2014: nil).

### ***Capital structure***

The shares of the Company were listed on GEM on 28 March 2000. During the period under review, a total of 2,700,000 share options were exercised to subscribe for shares of the Company.

On 1 April 2015, Dynamic Peak Limited ("Dynamic Peak") as the offeror and existing substantial shareholder of the Company, and Century Technology Holding (PTC) Limited, Bakersfield Global (PTC) Corporation and Greenford Company (PTC) Limited (the "Vendors") as the vendors and former substantial shareholders of the Company, entered into a sale and purchase agreement ("S&P Agreement"). Pursuant to which, Dynamic Peak conditionally agreed to purchase and the Vendors conditionally agreed to sell the aggregate of 294,276,619 shares of the Company (the "Sale Shares"), for a total consideration of HK\$79,454,687.13 (representing HK\$0.27 per Sale Share). The completion of the S&P Agreement took place on 29 April 2015. For details, please refer to the Company's announcement dated 29 April 2015.

### ***Event after the Reporting Period***

Pursuant to a placing agreement dated 31 July 2015, 136,270,000 ordinary shares of HK\$0.10 each of the Company were issued under the general mandate at the price of HK\$0.43 per share for cash to a placing agent (the "Placing").

The total of 136,270,000 placing shares represents approximately 17.05% of the Company's issued share capital before the Placing (799,242,500 ordinary shares) and approximately 14.57% of its enlarged issued share capital of the Company after the Placing (935,512,500 ordinary shares). The net proceeds from the Placing was approximately HK\$57,000,000. The Company will use such net proceeds mainly for general working capital of the Group. Completion of the Placing will take place on the third business day after the fulfilment of the condition set out in the placing agreement or such other date as the Company and the placing agent may agree in writing.



## Business Review and Outlook

During the first quarter of 2015, tight policies were continued for domestic telecommunication industry. Telecommunication operators generally imposed tight control and measures on wireless service providers on certain of their promotion channels. This affected the public awareness of the Group's services and eventually had negative impact on the demand for and usage of the Group's services as well as its revenue.

Over the past decade, the telecommunication industry has been going through significant structural changes and couple with the impact of the rapid advancement of technologies change the overall industry landscape. Wireless network operators and service providers are experiencing dramatic changes, shifting from voice-only network, with one service running over the network, to a voice and data environment. Mobile internet population in the PRC is increasing with the raising use of smartphones and the improvement of networking infrastructure. Looking ahead, the Group will continue to maintain its high quality service while the management will conduct a detail review of the business operations of the Group for the purpose of formulating suitable business plans and strategies for its future business development. Subject to the results of the review, and should suitable business opportunities arise, the management may consider future development of the Group's business in order to enhance its revenue and to cope with the changing business environment.

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

As at 30 June 2015, 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 (4)
Mr. Yip Heon Keung	(1)	Personal Interest	6,300,000	0.79%
Mr. Yip Heon Ping	(2)	Personal interest	6,300,000	0.79%
Mr. Chen Weixi	(3)	Interest of a controlled corporation	294,276,619	36.84%

Notes:

- (1) Mr. Yip Heon Keung is personally interested in 6,300,000 shares of the Company.
- (2) Mr. Yip Heon Ping is personally interested in 6,300,000 shares of the Company.
- (3) 294,276,619 shares of the Company are held by Dynamic Peak and its entire issued share capital is held as to 80% by Mr. Chen Weixi and as to the remaining 20% by Mr. Xu Zhigang, the chairman of the Company. By virtue of the SFO, Mr. Chen Weixi is deemed to be interested in 294,276,619 shares of the Company held by Dynamic Peak.
- (4) Based on 798,805,000 shares of the Company in issue as at 30 June 2015.

## **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 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 2015	Date of share options granted	Exercise period of share options granted	Exercise price of share options granted HK\$ per share
	At 1 April 2015	Granted during the period	Exercised during the period	Lapsed during the period				
Mr. Yip Heon Keung	14,000,000	—	(700,000)	—	700,000	5 December 2013	5 December 2013 to 4 December 2023	0.165
Mr. Yip Heon Ping	14,000,000	—	(700,000)	—	700,000	5 December 2013	5 December 2013 to 4 December 2023	0.165

As at 30 June 2015, the Company had outstanding options to subscribe for up to 400,000 shares under the 2002 Scheme and 2,750,000 shares under the New Scheme.

Save as disclosed above, as at 30 June 2015, 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 2015, 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 (4)
Dynamic Peak Limited	(1)	Beneficially owned	294,276,619	36.84%
Right Advance Management Limited	(2)	Beneficially owned	150,000,000	18.78%
Ms. Wang Li Mei	(2)	Interest of a controlled corporation	150,000,000	18.78%
Mr. Wang Leilei	(2)	Interest of a controlled corporation	150,000,000	18.78%
Will City Limited	(3)	Beneficially owned	100,000,000	12.52%
Ms. Zhang Yingnan	(3)	Interest of a controlled corporation	100,000,000	12.52%

Notes:

- (1) Dynamic Peak is a company incorporated in the British Virgin Islands and its entire issued share capital is held as to 80% by Mr. Chen Weixi and as to the remaining 20% by Mr. Xu Zhigang. Both of them are the Directors.
- (2) 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.
- (3) Will City Limited is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Ms. Zhang Yingnan.
- (4) Based on 798,805,000 shares of the Company in issue as at 30 June 2015.

Save as disclosed above, as at 30 June 2015, 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 2015, 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 2015.

## **CORPORATE GOVERNANCE CODE**

Save as the deviation disclosed below, 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.

With respect to the deviation, the CG Code provision A.2.1 provides that the roles of the chairman and chief executive officer (“CEO”) should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. Following the resignation of Ms. Li Luyi as the CEO on 5 February 2015, the appointment of the CEO is still outstanding. Since then, Mr. Yip Heon Keung, the former Chairman of the Board, assumed the post of the acting CEO until 11 August 2015. With effect from 12 August 2015, the Chairman of the Board, Mr. Xu Zhigang assumed the post of the acting CEO during the transitional period until such vacancy is filled up by a suitable candidate.

## **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 Ms. Wong Chi Yan (Chairman of the Audit Committee), Mr. Xu Xiaoping and Mr. Lam Kwok Cheong and one non-executive Director, Mr. Chen Weixi.

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 Mr. Xu Xiaoping (Chairman of the Remuneration Committee) and Mr. Lam Kwok Cheong, and one executive Director, Mr. Xu Zhigang.

## 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. Xu Zhigang (Chairman of the Nomination Committee) and two independent non-executive Directors, Mr. Xu Xiaoping and Mr. Lam Kwok Cheong.

By Order of the Board  
**Xu Zhigang**  
Chairman

Hong Kong, 12 August 2015

*As at the date of this announcement, the Board comprises Mr. Xu Zhigang, Mr. Han Jun and Ms. Ding Pingying (all of them are executive Directors); Mr. Chen Weixi and Mr. Yip Heon Keung (both of them are non-executive Director); Ms. Wong Chi Yan, Mr. Xu Xiaoping and Mr. Lam Kwok Cheong (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).*