



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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2008

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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 the 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; (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

HIGHLIGHTS

- Profit attributable to equity holders of the Company for the nine months ended 31 December 2008 achieved HK\$28,499,000, representing an increase by HK\$22,043,000 or 341% as compared to the corresponding period of 2007.
- The Group achieved revenue of HK\$91,943,000 for the nine months ended 31 December 2008, representing a 145% growth as compared to the corresponding period in the previous financial year.
- The Group attained gross profit of HK\$77,989,000 for the nine months ended 31 December 2008, representing an increase by HK\$44,721,000 or 134% compared with the same period of last year.
- Excluding the impact of fair value gain on convertible bonds which amounted to HK\$4,522,000, the profit attributable to equity holders of the Company for the nine months ended 31 December 2008 would have been shown as HK\$23,977,000.
- The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2008.

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 nine months and three months ended 31 December 2008 together with the unaudited comparative figures for the corresponding periods in 2007 as follows:

	Notes	Nine months ended 31 December		Three months ended 31 December	
		2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Revenue	2	91,943	37,586	25,018	21,705
Cost of sales		(13,954)	(4,318)	(4,620)	(2,188)
Gross profit		77,989	33,268	20,398	19,517
Other income and gains		1,416	1,243	598	89
Selling expenses		(17,956)	(4,871)	(7,620)	(2,181)
Administrative expenses		(26,887)	(16,276)	(8,761)	(6,126)
Other expenses		(5,834)	(2,484)	(3,223)	(1,296)
Fair value gain/(loss) on derivative component of convertible bonds		4,522	(3,431)	6,878	12,164
Finance costs		(3)	(1,238)	(3)	(641)
Profit before tax		33,247	6,211	8,267	21,526
Tax	3	(4,748)	245	1,957	66
Profit for the period attributable to equity holders of the Company		28,499	6,456	10,224	21,592
Earnings per share attributable to equity holders of the Company	4				
Basic		HK4.8 cents	HK1.1 cents	HK1.7 cents	HK3.6 cents
Diluted		HK3.7 cents	HK1.0 cents	HK0.5 cents	HK1.5 cents

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 Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an investment property, derivative financial instruments and equity investments, which have been measured at fair value. The unaudited consolidated results are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The principal 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 2008.

In the current period, the Group has adopted a number of new and revised HKFRSs, which are effective for accounting periods beginning on or after 1 January 2008. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective, in the unaudited consolidated results. The directors of the Company anticipate that the application of these new and revised HKFRSs should not have any significant impact on the Group's results of operations and financial position.

The unaudited consolidated results have been reviewed by the audit committee of the Company.

2. Revenue

Revenue, which is also the Group's turnover, represents for the value of services rendered after business tax during the period.

3. Tax

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong for the nine months and three months ended 31 December 2008 (2007: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Nine months ended		Three months ended	
	31 December		31 December	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current – Elsewhere				
Charge for the period	4,431	6	6	6
Overprovision in prior years/period	(2,463)	(251)	(2,463)	(72)
Deferred	2,780	–	500	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total tax expenses/(credit) for the period	4,748	(245)	(1,957)	(66)

4. Earnings per Share Attributable to Equity Holders of the Company

The calculation of basic and diluted earnings per share attributable to equity holders of the Company for the nine months and three months ended 31 December 2008 and 2007 are based on the following data:

	Nine months ended		Three months ended	
	31 December		31 December	
	2008	2007	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings				
Earnings for the purpose of basic earnings per share, being profit for the period attributable to equity holders of the Company	28,499	6,456	10,224	21,592
Effect of dilutive potential ordinary shares:				
Imputed interest of convertible bonds	–	N/A	–	641
Fair value gain on derivative component of convertible bonds	(4,522)	N/A	(6,878)	(12,164)
Earnings for the purpose of diluted earnings per share	23,977	6,456	3,346	10,069
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	597,507,727	594,740,818	597,675,000	596,775,000
Effect of dilutive potential ordinary shares:				
Share options	13,066,603	31,882,341	5,650,979	34,861,295
Convertible bonds	30,000,000	N/A	30,000,000	30,000,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	640,574,330	626,623,159	633,325,979	661,636,295

The calculation of diluted earnings per share amount for the nine months ended 31 December 2007 has not included the potential effect of the deemed conversion of the convertible bonds into ordinary shares during the period as it has an anti-dilutive effect on the basic earnings per share amount for the period.

5. Reserves

	Share premium account <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2008 (Audited)	348,808	53	5,436	2,533	(379,222)	(22,392)
Exchange differences arising on consolidation of oversea subsidiaries	–	–	2,129	–	–	2,129
Total income and expense recognised directly in equity	–	–	2,129	–	–	2,129
Profit for the period	–	–	–	–	28,499	28,499
Total income and expense for the period	–	–	2,129	–	28,499	30,628
Issue of shares	126	–	–	–	–	126
Equity-settled share option arrangements	–	–	–	3,459	–	3,459
At 31 December 2008 (Unaudited)	<u>348,934</u>	<u>53</u>	<u>7,565</u>	<u>5,992</u>	<u>(350,723)</u>	<u>11,821</u>
At 1 April 2007 (Audited)	348,159	53	1,926	1,204	(405,936)	(54,594)
Exchange differences arising on consolidation of overseas subsidiaries	–	–	1,131	–	–	1,131
Total income and expense recognised directly in equity	–	–	1,131	–	–	1,131
Profit for the period	–	–	–	–	6,456	6,456
Total income and expense for the period	–	–	1,131	–	6,456	7,587
Issue of shares	628	–	–	–	–	628
Equity-settled share option arrangements	–	–	–	2,013	–	2,013
Transfer of share option reserve upon the lapse of share options	–	–	–	(172)	172	–
At 31 December 2007 (Unaudited)	<u>348,787</u>	<u>53</u>	<u>3,057</u>	<u>3,045</u>	<u>(399,308)</u>	<u>(44,366)</u>

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months ended 31 December 2008, the Group achieved revenue of HK\$91,943,000, representing 145% growth as compared to the corresponding period of last year. The Group's revenue for the three months ended 31 December 2008 was increased by 15% to HK\$25,018,000 compared to the same period in 2007.

The Group attained gross profit of HK\$77,989,000 during the nine-month period under review, representing an increase by HK\$44,721,000 or 134% compared with the same period of last year. The gross profit margins for the nine months and three months ended 31 December 2008 were maintained at the relatively high levels of 85% and 82% respectively.

The Group's overall operating expenses (including selling expenses, administrative expenses, other expenses and finance costs but excluding imputed interest on convertible bonds) amounted to HK\$50,680,000, increased by 114% compared with the corresponding period last year. Compared to the last quarter, the overall operating expenses for the three months ended 31 December 2008 increased by 13% to HK\$19,607,000. This was mainly due to an increase in marketing and promotional activities after the Beijing 2008 Olympic Games.

The profit attributable to equity holders of the Company for the nine months ended 31 December 2008 amounted to HK\$28,499,000, an improvement of HK\$22,043,000 versus last year.

During the period under review, one of the Company's principal subsidiaries operating in Mainland China was adjudicated as a "High and New Technology Enterprise" by the PRC tax and other governmental authorities, such qualification is valid for three years. Under the New PRC Corporate Income Tax Law which became effective from 1 January 2008, a "High and New Technology Enterprise" is subject to a preferential tax rate of 15%, therefore, the subsidiary enjoys the preferential tax rate of 15% for the period from 1 January 2008 to 31 December 2010.

Financial Position, Liquidity, Financial Resources and Gearing Ratio

The total equity of the Group as at 31 December 2008 was HK\$71,588,000 (31 December 2007: HK\$15,311,000). The Group had net current assets of HK\$52,947,000 (31 December 2007: HK\$43,010,000). The Group's current ratio, as a ratio of current assets to current liabilities, was approximately 1.9 as at 31 December 2008 (31 December 2007: 4.1). The Group had cash and cash equivalents of HK\$72,871,000 as at 31 December 2008 (31 December 2007: HK\$18,266,000).

For the nine-month period under review, the Group financed its operations mainly with its revenue from operations. The Group adheres to a prudent cash and financial management policy. In order to achieve better costs control and minimize costs of funds, the Group's treasure activities are centralized and the cash is generally placed on deposits, mostly denominated in Renminbi and Hong Kong dollars. As at 31 December 2008, the gearing ratio of the Group, as a ratio of total borrowings to total equity, was 57% (31 December 2007: 218%).

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. In connection with the convertible bonds outstanding as at the date of the period under review, the latest position is set out as follows.

Issue of Convertible Bonds

Pursuant to a convertible bonds subscription agreement dated 30 April 2007 ("Subscription Agreement"), the Company issued in June 2007 certain five-year HK\$28,800,000 zero-coupon convertible bonds ("Convertible Bonds") (which may be converted into shares to be allotted and issued under general mandate) to a subscriber which is an existing shareholder of the Company. The Convertible Bonds may, upon exercise of the conversion rights attaching to them, be converted into new shares at the conversion price initially of HK\$0.96 per share (subject to adjustment) at any time during the five years commencing from the date of first issue of the Convertible Bonds (the "Convertible Bonds Subscription"). If the holder(s) of the Convertible Bonds exercise the conversion rights attached to the Convertible Bonds in full at the initial conversion price of HK\$0.96 per share, a total of 30,000,000 shares will be issued, representing about 5.02% of the issued share capital of the Company as at 31 December 2008 before exercise of the conversion rights and representing approximately 4.78% of the issued share capital of the Company as enlarged by such issue.

The net proceeds from the issue of the Convertible Bonds was approximately HK\$28,500,000. The Convertible Bonds Subscription was completed on 6 June 2007. The conversion rights attached to the Convertible Bonds had not been exercised during the period under review. Under the Subscription Agreement, the Company agreed to (among other things) procure payment of trade receivables payable by a trade debtor to a subsidiary of the Company prior to completion of the Convertible Bonds Subscription. The Company, Tallmany Enterprises Limited ("Tallmany") and China Broadband Capital Partners, L.P. subsequently purported to extend the date of performance of the said obligation to a later date which fell within the financial year ended 31 March 2008 ("Revised Date"). The said obligation was not fulfilled before the Revised Date. On 1 December 2008, the Company received from Tallmany a written demand for early redemption of the Convertible Bonds at the redemption amount equal to 125% of the principal amount of the total outstanding Convertible Bonds ("CB Redemption Demand") on the basis of alleged breaches of relevant terms of the Subscription Agreement. The Company was also notified by Uniright Group Limited ("Uniright"), a substantial shareholder of the Company, of its receipt on 1 December 2008 of a written demand ("EB Redemption Demand") from Tallmany, requesting Uniright to redeem the five-year HK\$30,000,000 zero-coupon exchangeable bonds ("Exchangeable Bonds") at the redemption amount equal to 125% of the principal amount of the total outstanding Exchangeable Bonds. As at the date of this announcement, the total outstanding principal amount of the Convertible Bonds was HK\$28,800,000. The Convertible Bonds have been recorded as current liabilities and the 25% premium over the principal amount of the Convertible Bonds was accounted for in the unaudited consolidated balance sheet as at 31 December 2008.

However, the Company is seeking ongoing legal advice regarding the CB Redemption Demand. Up to the date of this announcement, the Company has not yet reached a decision on a substantive response to the CB Redemption Demand. The Company has not received any notice or information from Uniright as to whether or not it would redeem the Exchangeable Bonds or any part of them or how it would deal with or respond to the EB Redemption Demand.

Business Review and Outlook

For the nine months ended 31 December 2008, the Group achieved revenue of HK\$91,943,000, representing an increase of 145% as compared to the corresponding period of last year. Profit for the period reached HK\$28,499,000, representing a growth of HK\$22,043,000 from the corresponding period of last year. These growth momentums indicated an improvement of the Group's operation during the period under review.

By reviewing the performance of the Group in the third quarter, the major achievements were as follows:

1. **User experience.** Improvement of user experience remains a key focus of the Group. With the launching of the upgraded search engine, the performance of the Group's music search services were notably enhanced, and the growth in major indicators such as the average usage per user and the rate of successful search were showed in this quarter.
2. **Data mining.** After nearly six months of research and development efforts, the new data mining based sales model not only has achieved satisfactory trial results, but also has been applied to daily marketing and resulted in an obvious improvement of sales in certain provinces which have applied it.
3. **Development of new products.** The Group continued to develop new products during the period and has secured a contract with a telecom operator to provide a SMS interactive service system based on the Group's patented search engine technology. By providing the system, mobile users can enjoy intelligent electronic self-services, process account information enquiry, mobile value added services, mobile service packages and bonus points redemption, etc. Leveraging on development of new products, the Group continued to make a new breakthrough in its business.
4. **Business opportunities with new operators.** The Group actively focuses on new development of the PRC telecommunication industry after its restructuring and negotiates with new operators with a view of capturing business opportunities.

With the global economic downturn in 2009, it is expected that the growth of telecommunication industry in China will slow down, and its relevant business policies will be adjusted. The Group will further increase its income from its core business through development of new channels. Amongst which, "STK card" and "products embedded in mobile phones" channels have the potential to bring sustainable revenue growth to the Group. In addition, the Group will also expand the scope of cooperation with China Mobile, including promotion of SMS interactive service system throughout China. In the aspect of new operators, the Group will endeavor to secure new cooperations in respect of music business in the next financial year, so as to build a solid foundation for future business growth.

To cope with the current economic crisis, the Group's strategy is to ensure stable cash flow, continue its cost control efforts and expand its business channels, so as to increase its ability to endure risks. While stabilizing its existing operations, the Group will also seek for business opportunities and develop more new markets.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2008, the interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“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 required, pursuant to the code of conduct regarding securities transactions by Directors adopted by the Company, to be 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 Wai	(1)	Interest of a controlled corporation	100,000,000	16.73%
Mr. Yip Heon Keung	(2)	Interest of controlled corporations	404,280,619	67.64%

Notes:

- (1) These shares are held by Uniright Group Limited (“Uniright”) and its entire issued share capital is held by Mr. Yip Heon Wai and Mr. Yip Heon Keung in equal shares. By virtue of the SFO, Mr. Yip Heon Wai is deemed to be interested in 100,000,000 shares of the Company held by Uniright.
- (2) Among these shares, an aggregate of 304,280,619 shares are held through Greenford Company (PTC) Limited, Century Technology Holding (PTC) Limited and Bakersfield Global (PTC) Corporation as trustees of The Greenford Unit Trust, The Century 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. 100,000,000 shares are held by Uniright and its entire issued capital is held by Mr. Yip Heon Wai and Mr. Yip Heon Keung in equal shares. By virtue of the SFO, Mr. Yip Heon Keung is deemed to be interested in 304,280,619 shares of the Company held by Ace Central and 100,000,000 shares of the Company held by Uniright, respectively.
- (3) Based on 597,675,000 shares in issue as at 31 December 2008.

Long positions in underlying shares of the Company

Share Options

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the Company's Directors and employees of the Group. Under the terms of the share option scheme adopted by the Company on 7 March 2000, the Board was authorised, at its absolute discretion, to grant options to the Company's Directors and employees of the Group, to take up options to subscribe for ordinary shares of the Company. The share option scheme became effective for a period of 10 years commencing on the listing of the Company's shares on the GEM of the Exchange on 28 March 2000 (the "Old Scheme").

At the annual general meeting held on 27 July 2001, ordinary resolutions were passed by the shareholders to approve the cancellation and the re-grant of the share options under the Old Scheme.

At the extraordinary general meeting of the Company held on 9 April 2002, ordinary resolutions to approve the termination of the Old Scheme and the adoption of a new share option scheme (the "New Scheme") were duly passed by the shareholders. Upon termination of the Old Scheme, no further options will be granted thereunder but in all other respects, the provisions of the Old Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith. The New Scheme became effective for a period of 10 years commencing on 23 April 2002. Under the New Scheme, the Directors may, at their sole discretion, grant to any eligible participants under the New Scheme options to subscribe for ordinary shares of the Company at the highest of (i) the closing price of shares of the Company on the GEM as stated in the Exchange's daily quotation sheet on the date of the offer of grant; or (ii) the average closing price of the shares of the Company on the 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 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.

At the annual general meeting of the Company held on 25 July 2006 (the "AGM"), an ordinary resolution was passed by the shareholders to approve the refreshing of the 10% general limit on the grant of share options under the New Scheme.

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 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.

In accordance with the terms of the relevant share option schemes, the exercise period of the options granted is determinable by the Directors, and commences after 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.

As at 31 December 2008, the Company had outstanding options to subscribe for up to 25,365,000 shares and 36,630,000 shares under the Old Scheme and the New Scheme, respectively.

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

Name of Director	Number of share options				At 31 December 2008	Date of share options re-granted	Exercise period of share options re-granted	Exercise price of share options re-granted HK\$ per share
	At 1 April 2008	Exercised during the period	Transferred during the period	Lapsed during the period				
Mr. Yip Heon Wai [#]	5,300,000	-	-	-	5,300,000	22 August 2001	22 August 2001 to 21 August 2011	0.40
Mr. Yip Heon Keung	5,300,000	-	-	-	5,300,000	22 August 2001	22 August 2001 to 21 August 2011	0.40

The following Director was 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 31 December 2008	Date of share options granted	Exercise period of share options granted	Exercise price of share options granted HK\$ per share
	At 1 April 2008	Exercised during the period	Transferred during the period	Lapsed during the period				
Mr. Guan Ming Jie ^{##}	-	-	5,000,000	-	5,000,000	3 April 2008	3 April 2008 to 2 April 2018	0.41

[#] In addition to the options to subscribe for up to 5,300,000 shares personally held by Mr. Yip Heon Wai, he is also deemed to be interested in the share options held by his spouse (in her capacity as an employee of the Company) to subscribe for 4,300,000 shares of the Company at an exercise price of HK\$0.40 per share within the meaning of Part XV of the SFO, and whose exercise period is from 22 August 2001 to 21 August 2011.

^{##} Mr. Guan Ming Jie was appointed as a Director of the Company on 16 September 2008. Pursuant to the New Scheme, he is also entitled to the share options granted to him on 3 April 2008 to subscribe for 5,000,000 shares of the Company at an exercise price of HK\$0.41 per share in his capacity as an employee of the Group.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, 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:

Interests or short 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 Note (11)	Percentage of the Company's issued share capital Note (12)
Greenford Company (PTC) Limited	(1)	Directly beneficially owned	122,597,702 (L)	20.51%
Century Technology Holding (PTC) Limited	(2)	Directly beneficially owned	122,597,701 (L)	20.51%
Bakersfield Global (PTC) Corporation	(3)	Directly beneficially owned	59,085,216 (L)	9.89%
Ace Central Group (PTC) Limited (as trustee of The New Millennium Trust)	(4)	Trustee of a discretionary family trust & through controlled corporations	304,280,619 (L)	50.91%
Mr. Yip Heon Ping	(1), (4) & (5)	Object of a discretionary family trust & through a controlled corporation	310,580,619 (L)	51.96%
Mr. Yip Seng Mun	(2), (3), (4) & (6)	Founder of a discretionary family trust, beneficially owned & through controlled corporations	310,280,619 (L)	51.91%
Knicks Capital Inc.	(7)	Directly beneficially owned	50,925,000 (L)	8.52%
Mr. Zhang Xingsheng	(7)	Interest of a controlled corporation	50,925,000 (L)	8.52%
Uniright Group Limited	(8) & (10)	Directly beneficially owned	100,000,000 (L) 57,142,857 (S)	16.73% 9.56%
Tallmany Enterprises Limited	(9) & (10)	Directly beneficially owned	244,742,857 (L)	40.95%

Notes:

- Greenford Company (PTC) Limited is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Mr. Yip Heon Ping, a former Director of the Company.
- Century Technology Holding (PTC) Limited is a company incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned by Mr. Yip Seng Mun, a former Director of the Company.

3. Bakersfield Global (PTC) Corporation is a company incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned by Mr. Yip Seng Mun, a former Director of the Company.
4. An aggregate of 304,280,619 shares are held through Greenford Company (PTC) Limited, Century Technology (PTC) Holding Limited and Bakersfield Global (PTC) Corporation as trustees of The Greenford Unit Trust, The Century Unit Trust and The Bakersfield Unit Trust, respectively. All the units of which are held by Ace Central Group (PTC) Limited 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. Both of them are the former Directors of the Company.

Mr. Yip Heon Keung, a Director of the Company, is the sole director and sole shareholder of Ace Central Group (PTC) Limited.

5. By virtue of the SFO, Mr. Yip Heon Ping is deemed to be interested in 304,280,619 shares of the Company as one of the discretionary objects of The New Millennium Trust. In addition, he is also entitled to his share options to subscribe for 6,300,000 shares of the Company in his capacity as an employee of the Group.
6. By virtue of the SFO, Mr. Yip Seng Mun is deemed to be interested in 304,280,619 shares of the Company as the founder of The New Millennium Trust and personally interested in 2,000,000 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.
7. Knicks Capital Inc. is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Mr. Zhang Xingsheng.
8. Uniright Group Limited (“Uniright”) is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Mr. Yip Heon Wai and Mr. Yip Heon Keung in equal shares, both are the Directors of the Company.
9. Tallmany Enterprises Limited (“Tallmany”) is a company incorporated in the British Virgin Islands and currently holds 30,000,000 shares of the Company. It is a wholly owned subsidiary of China Broadband Capital Partners, L.P., a fund established in the Cayman Island as an exempted limited partnership (the “Fund”). CBC Partners, L.P. (“CBC Partners”) holds approximately 1.01% of the issued share capital of the Fund, which in turn is ultimately wholly owned by Dr. Edward Tian indirectly. Dr. Xu Zhiming, a Director of the Company, is the sole director of Tallmany.
10. Tallmany is also the holder of the convertible bonds (“Convertible Bonds”) issued by the Company on 6 June 2007. If the convertible rights attached to the Convertible Bonds are exercised in full at the initial conversion price of HK\$0.96 per share, Tallmany will become interested in a total of 30,000,000 shares of the Company. If the convertible rights attached to the Convertible Bonds are exercised in full at the adjusted conversion price of HK\$0.50 per share, Tallmany will become interested in a total of 57,600,000 shares of the Company.

Simultaneously, Tallmany is also the holder of the zero-coupon exchangeable bonds in the principal amount of HK\$30,000,000 due 2012 (“Exchangeable Bonds”) issued by Uniright on 6 June 2007. If the exchange rights attached to the Exchangeable Bonds are exercised in full at the initial exchange price of HK\$1.00 per share, a total of 30,000,000 shares of the Company will be transferred by Uniright to Tallmany. If the exchange rights attached to the Exchangeable Bonds are exercised in full at the adjusted exchange price of HK\$0.525 per share, a total of 57,142,857 shares of the Company will be transferred by Uniright to Tallmany.

It was agreed between the parties to the Exchangeable Bonds subscription agreement (“EB Subscription Agreement”) that at completion, Uniright, as a chargor, shall deliver to Tallmany, as a chargee, a duly executed share charge in respect of the charging of 100,000,000 ordinary shares of the Company (“Shares”) by Uniright in favor of Tallmany (“Share Charge”). On 6 June 2007, being the completion date of the EB Subscription Agreement, Uniright executed and delivered the Share Charge to Tallmany. Subject to the terms and conditions set out therein, Uniright pledged 100,000,000 Shares to Tallmany as the collateral created by the Share Charge.

11. The letter “L” denotes long position in the ordinary shares of the Company. The letter “S” denotes short position in the underlying shares of the Company.
12. Based on 597,675,000 shares in issue as at 31 December 2008.

Save as disclosed above, as at 31 December 2008, 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 management 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 nine months ended 31 December 2008, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 15 of the GEM Listing Rules ("Code on CG Practices") throughout the period under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the nine months ended 31 December 2008.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") on 7 March 2000 and has formulated and from time to time amended its written terms of reference in accordance with the provisions set out in the Code on CG Practices. The terms of reference of the Audit Committee are available on the Company's website.

As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors of the Company, namely Mr. James T. Siano (Chairman of the Audit Committee), Ms. Tse Yuet Ling, Justine and Ms. Lai May Lun.

The primary duties of the Audit Committee include the 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 relationship with the auditors of the Company.

The Audit Committee has reviewed the draft of this announcement and has provided advice and comments thereon.

REMUNERATION COMMITTEE

In accordance with the Code on CG Practices, the Company established its remuneration committee (“Remuneration Committee”) on 17 June 2005 with written terms of reference. The terms of reference of the Remuneration Committee are available on the Company’s website.

The Remuneration Committee comprises two independent non-executive Directors of the Company, namely Ms. Tse Yuet Ling, Justine (Chairman of the Remuneration Committee), Ms. Lai May Lun and one executive Director, Mr. Yip Heon Keung.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company’s policy and structure for all remuneration of 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.

By Order of the Board
Yip Heon Wai
Chairman

Hong Kong, 9 February 2009

As at the date of this announcement, the Board comprises Mr. Yip Heon Wai, Mr. Yip Heon Keung and Mr. Guan Ming Jie (all of them are executive Directors); Dr. Xu Zhiming and Mr. Zhang Ying (both of them are non-executive Directors); Mr. James T. Siano, 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.