



# 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 2009

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

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\* For identification purpose only

## HIGHLIGHTS

- Revenue of the Group for the three months ended 30 June 2009 amounted to HK\$15,234,000, representing a 62% drop as compared to the corresponding period in the previous financial year.
- The Group's gross profit was HK\$12,323,000, decreased by HK\$23,154,000 compared with the same period of last year.
- Profit attributable to equity holders of the Company for the three months ended 30 June 2009 amounted to HK\$561,000, decreased by HK\$11,623,000 compared with the same period of 2008. Excluding the impact of fair value loss on convertible bonds which amounted to HK\$853,000, the profit attributable to equity holders of the Company would have been shown as HK\$1,414,000.
- The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2009.

## 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 2009 together with the unaudited comparative figures for the corresponding period in 2008 as follows:

	Notes	Three months ended 30 June 2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
<b>Revenue</b>	2	<b>15,234</b>	40,327
Cost of sales		<u>(2,911)</u>	<u>(4,850)</u>
Gross profit		<b>12,323</b>	35,477
Other income and gains		<b>1,524</b>	394
Selling expenses		<b>(2,913)</b>	(4,083)
Administrative expenses		<b>(7,761)</b>	(9,072)
Other expenses		<b>(872)</b>	(508)
Fair value loss on derivative component of convertible bonds		<b>(853)</b>	(5,305)
Finance costs		<u>(47)</u>	<u>—</u>
<b>Profit before tax</b>		<b>1,401</b>	16,903
Tax	3	<u>(840)</u>	<u>(4,719)</u>
<b>Profit for the period attributable to equity holders of the Company</b>		<u><b>561</b></u>	<u>12,184</u>
<b>Earnings per share attributable to equity holders of the Company</b>	4		
Basic		<u><b>HK0.09 cents</b></u>	<u>HK2.04 cents</u>
Diluted		<u><b>HK0.09 cents</b></u>	<u>HK1.98 cents</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 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 disclosures requirements of 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 2009.

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 2009. The adoption of these new and revised 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 Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has anticipated that these new and revised HKFRSs are unlikely to have a 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 the net invoiced value of services rendered during the period, and business tax, where applicable.

### 3. Tax

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 2009 (2008: 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, based on existing legislation, interpretations and practices in respect thereof.

	<b>Three months ended 30 June</b>	
	<b>2009</b>	2008
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Current — Elsewhere		
Charge for the period	—	3,329
Deferred	<u>840</u>	<u>1,390</u>
Total tax charge for the period	<u><u>840</u></u>	<u><u>4,719</u></u>

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

The calculation of basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$561,000 (2008: HK\$12,184,000), and the weighted average number of 597,675,000 (2008: 597,275,000) ordinary shares in issue during the period.

The calculation of diluted earnings per share for the three months ended 30 June 2009 is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$561,000 (2008: HK\$12,184,000). The weighted average number of ordinary shares of 603,696,545 (2008: 613,909,252) used in this calculation is the total of the number of ordinary shares in issue during the period as used in the basic earnings per share calculation and the weighted average number of ordinary shares on deemed exercise of all share options during the period assuming issuance at no consideration of 6,021,545 (2008: 16,634,252).

The calculation of diluted earnings per share for each of the three months period ended 30 June 2009 and 2008 has not included the potential effect of the deemed conversion of the convertible bonds into ordinary shares during the periods as it has an anti-dilutive effect on the basic earnings per share for the periods.

## 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 2009 (Audited)	348,934	53	7,946	6,605	(363,569)	(31)
Profit for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>561</u>	<u>561</u>
Total income and expense for the period	—	—	—	—	561	561
Equity-settled share option arrangements	<u>—</u>	<u>—</u>	<u>—</u>	<u>385</u>	<u>—</u>	<u>385</u>
At 30 June 2009 (Unaudited)	<u><u>348,934</u></u>	<u><u>53</u></u>	<u><u>7,946</u></u>	<u><u>6,990</u></u>	<u><u>(363,008)</u></u>	<u><u>915</u></u>
At 1 April 2008 (Audited)	348,808	53	5,436	2,533	(379,222)	(22,392)
Exchange differences arising on consolidation of overseas subsidiaries	<u>—</u>	<u>—</u>	<u>2,132</u>	<u>—</u>	<u>—</u>	<u>2,132</u>
Total income and expense recognised directly in equity	—	—	2,132	—	—	2,132
Profit for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,184</u>	<u>12,184</u>
Total income and expense for the period	—	—	2,132	—	12,184	14,316
Equity-settled share option arrangements	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,753</u>	<u>—</u>	<u>1,753</u>
At 30 June 2008 (Unaudited)	<u><u>348,808</u></u>	<u><u>53</u></u>	<u><u>7,568</u></u>	<u><u>4,286</u></u>	<u><u>(367,038)</u></u>	<u><u>(6,323)</u></u>

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2009 (2008: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

The profit attributable to equity holders of the Company for the three months ended 30 June 2009 amounted to HK\$561,000, as compared to HK\$12,184,000 for the same period in last year. Excluding the fair value loss on derivative component of convertible bonds of HK\$853,000, the profit attributable to equity holders would have been shown as HK\$1,414,000.

Consolidated revenue for the three months ended 30 June 2009 amounted to HK\$15,234,000, as compared to HK\$40,327,000 and HK\$17,534,000 of the first and fourth quarter in last fiscal year respectively. Amid the current economy downturn, the Group will continue to put effort in products and services enhancement, in order to maintain stability in its current business.

For the current quarter under review, the cost of sales amounted to HK\$2,911,000, decreased by HK\$1,939,000 or 40% compared to the same period in last year, and decreased by HK\$2,484,000 or 46% compared to the fourth quarter of last financial year.

The gross profit for the current period under review amounted to HK\$12,323,000, as compared to HK\$35,477,000 and HK\$12,139,000 of the first and fourth quarter in last financial year respectively. Gross profit margin decreased from 88% to 81% as compared to the corresponding period in last year.

Overall operating expenses including selling, administrative and other expenses amounted to HK\$11,546,000 for the current period under review, representing a decrease by HK\$2,117,000 or 15% as compared to the same period in last year.

Selling expenses amounted to HK\$2,913,000 for the current period under review, decreased by HK\$1,170,000 or 29% as compared to the corresponding period in last year due to decrease in promotion and marketing expenses. Administrative expenses decreased by HK\$1,311,000 or 14% to HK\$7,761,000 as compared to HK\$9,072,000 in the first quarter of last year, mainly attributable to decrease in share option expense. Other expenses increased by HK\$364,000 or 72% when compared to the first quarter of last year, it was mainly due to increase in staff and related costs as a result of an expansion of the research and development team.

## **Financial Position, Liquidity, Financial Resources and Gearing Ratio**

The total equity of the Group as at 30 June 2009 was HK\$60,682,000 (30 June 2008: HK\$53,404,000). The Group had net current assets of HK\$44,899,000 as at 30 June 2009 (30 June 2008: HK\$35,818,000). The Group's current ratio (current assets over current liabilities), was approximately 1.7 as at 30 June 2009 (30 June 2008: 1.5). The Group had cash and cash equivalents of HK\$80,326,000 as at 30 June 2009 (30 June 2008: HK\$56,272,000).

During the 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 cost control and minimize the cost of funds, the Group's treasury activities are centralized and cash is generally placed in deposits, denominated mostly in Renminbi and Hong Kong dollars. As at 30 June 2009, the gearing ratio of the Group (total borrowings over total equity) was 70% (30 June 2008: 93%).

## **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 30 June 2009, the latest position is set out as follows.

### *Issue of Convertible Bonds*

On 30 April 2007, the Company entered into a subscription agreement (the "Subscription Agreement") with Tallmany Enterprises Limited ("Tallmany") and China Broadband Capital Partners, L.P. ("CBC") for the issuance of five-year zero-coupon convertible bonds (the "Convertible Bonds") in the principal amount of HK\$28,800,000.

On 6 June 2007, the Convertible Bonds were issued by the Company to Tallmany in the principal amount of HK\$28,800,000 (the "Principal Amount") pursuant to the terms set out in the Deed Poll dated 6 June 2007.

The holder of the Convertible Bonds will have the right to redeem the Convertible Bonds early before their maturity date on 5 June 2012 (the "Maturity Date") if one (or more) of the events of default defined in Clause 10 of the terms and conditions of the Convertible Bonds ("Events of Default") occur(s). If one (or more) of the Events of Default occur, the holder of the Convertible Bonds may by notice in writing require the Company to redeem the Convertible Bonds at 125% of the Principal Amount (the "Early Redemption Amount"), and the Early Redemption Amount must be paid within 10 days of such notice in writing.

There was no movement in the Principal Amount of the Convertible Bonds during the period under review.

For further details regarding the terms and conditions of the Convertible Bonds and the proceedings brought by Tallmany against the Company on alleged breaches of some of the terms of the Subscription Agreement, please refer to the Company's annual report 2009 (page 10 to 13) published on the GEM website on 26 June 2009.

Upon initial recognition, the Convertible Bonds issued were split into liability and derivative components. On the issuance of the Convertible Bonds, the excess of proceeds over the amount initially recognised as the derivative component was recognised as the liability component and was carried as non-current liabilities. The fair value of the derivative component was estimated at the issuance date and at 30 June 2009 with reference to the valuation performed by Grant Sherman Appraisal Limited, an independent firm of professionally qualified valuers, using a binomial option pricing model and the change in fair value of that component of HK\$853,000 (2008: HK\$5,305,000) was recognised in the unaudited consolidated results.

Subsequent to the filing with the High Court on 20 May 2009 of the Company's defence against the proceedings commenced by Tallmany (as disclosed in the said annual report), the Company further filed an application for security for costs against Tallmany in June 2009, on the basis that Tallmany is an overseas plaintiff. Shortly afterwards in June 2009, Tallmany filed an application for summary judgment. Both applications are fixed to be heard before a judge on 18 September 2009.

Having regard to the financial position of the Group, the Company is of the view that if the High Court finds in favour of the holder of the Convertible Bonds and it is entitled to exercise its right to early redemption, the cash flow of the Group will be reduced. However, the Group will have sufficient working capital for running its business in the ordinary course.

## **Business Review and Outlook**

Under the severe economic conditions brought about by the global financial crisis, the general public's consuming desire declined, the entertainment and consuming industries were therefore adversely affected, and the Group's revenue was inevitably impacted as well. However, the Group remained profitable in this quarter. Highlights of business developments for this quarter are as follows:

1. ***Broadened cooperation with telecom operators.*** During the quarter under review, the Group continued to provide diversified wireless music search services to the mobile users. It included wireless mobile search for the songs performed in the "2009 Super Girl", a popular singing contest organized by the Hunan Satellite TV Station. In addition, in respect of celebrating the 60th anniversary of the founding of the People's Republic of China, the Group cooperated with China Mobile to deliver its customers wireless search services for the patriotic songs. These activities increased public awareness of the Group's wireless search services and further strengthened its market position.



2. ***Development of data mining business.*** The Group seeks new sources of revenue through cooperation with a provincial telecom operator for the provision of data mining services. Moreover, in the coming quarter it will form a strategic partnership with an internationally-renowned consultancy company to develop a new sales model based on data mining. Such sales model will cater for the specific needs and preferences of mobile users for various mobile value-added services such as mobile music, mobile games and mobile TV.
3. ***Expansion of new business channels.*** The Group continued to explore new channels for the provision of wireless music search services. During the period, the Group focused its efforts in promoting new channels such as “STK cards” and “products embedded in mobile phones”. Where wireless music search softwares are embedded in SIM cards and mobile handsets which allowed the mobile users to access our services directly through their mobile phones.
4. ***Improvement of users’ experience.*** The Group continued its commitment to improve users’ experience and thus enhanced their loyalty with improved functionalities of the Group’s patented search engine.

Looking forward, the Group will continue to actively pursue cooperation opportunities with new telecom operators in order to generate new income source and mitigate business risks. However, we expect the operating environment in this financial year to remain difficult and challenging due to the global economic uncertainty. As a result, the Group will continue to expand its businesses in a prudent manner and will exercise stringent cost controls to maintain its healthy cash position in order to create a solid foundation for the Group’s future development.

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

As at 30 June 2009, 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 or underlying shares Note (4)	Percentage of the Company's issued share capital Note (5)
Mr. Yip Heon Wai	(1) & (3)	Interest of a controlled corporation	100,000,000 (L) 30,000,000 (S)	16.73% 5.02%
Mr. Yip Heon Keung	(2) & (3)	Interest of controlled corporations	404,280,619 (L) 30,000,000 (S)	67.64% 5.02%

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 (“Greenford”), Century Technology Holding (PTC) Limited (“Century”) and Bakersfield Global (PTC) Corporation (“Bakersfield”) 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) On 6 June 2007, Uniright issued to Tallmany the zero-coupon exchangeable bonds (“Exchangeable Bonds”) in the principal amount of HK\$30,000,000. 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.

- (4) 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.
- (5) Based on 597,675,000 shares of the Company in issue as at 30 June 2009.

## **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 GEM of the Exchange on 28 March 2000 (the “Old Scheme”).

At the annual general meeting of the Company 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 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 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.

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 30 June 2009, the Company had outstanding options to subscribe for up to 25,365,000 shares and 36,430,000 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 30 June 2009	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 2009	Granted during the period	Exercised during the period	Lapsed during the period				
Mr. Yip Heon Wai <sup>#</sup>	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 30 June 2009	Date of share options granted	Exercise period of share options granted	Exercise price of share options granted HK\$ per share
	At 1 April 2009	Granted during the period	Exercised 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

<sup>#</sup> In addition to Mr. Yip Heon Wai's personally held share options to subscribe for 5,300,000 shares of the Company, 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.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, shareholders (other than the Directors or chief executive of the Company) who had interests or short positions in the ordinary 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, beneficially owned & 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) 30,000,000 (S)	16.73% 5.02%
Tallmany Enterprises Limited	(9) & (10)	Directly beneficially owned	190,000,000 (L)	31.79%

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, a former Director of the Company.
2. 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 of the Company.
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, a former Director of the Company.
4. An aggregate of 304,280,619 shares are held through Greenford, Century and Bakersfield 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 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.

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 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 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 CBC, 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 also a director of Tallmany.
10. Tallmany is also the holder of the zero-coupon convertible bonds in the principal amount of HK\$28,800,000 due in 2012 (the "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 (the "CB Adjustment"). However, no CB Adjustment was required.

Simultaneously, Tallmany is also the holder of the zero-coupon exchangeable bonds in the principal amount of HK\$30,000,000 due in 2012 (the "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 (the “EB Adjustment”). However, no EB Adjustment was required.

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 of the Company in issue as at 30 June 2009.

Save as disclosed above, as at 30 June 2009, 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 ordinary 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 three months ended 30 June 2009, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities.

## **CORPORATE GOVERNANCE PRACTICES**

During the period under review, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) as contained in Appendix 15 of the GEM Listing Rules including the new CG Code amended and become effective on 1 January 2009.



## **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 2009.

## **RETIREMENT OF EXECUTIVE DIRECTORS**

Subsequent to the reported period ended 30 June 2009 and prior to the date of this report, the following changes took place:

- (i) Mr. Yip Heon Wai was not re-elected at the annual general meeting of the Company held on 30 July 2009 ("AGM"). As a result, he retired from his offices of an executive Director, the chairman of the Board and an authorised representative of the Company at the conclusion of the AGM on 30 July 2009.
- (ii) Mr. Guan Ming Jie did not offer himself for re-election at the AGM due to his family commitments. As a result, he retired from his office as an executive Director of the Company at the conclusion of the AGM. Simultaneously, he also resigned from the office of the chief executive officer of the Company. His cessations from both offices of an executive Director and the chief executive officer of the Company took effect on 30 July 2009.

## **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 CG Code. 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 CG Code, 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 Keung**  
*Executive Director*

Hong Kong, 6 August 2009

*As at the date of this announcement, the Board comprises Mr. Yip Heon Keung (an executive Director); 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](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).*