



PROSTEN TECHNOLOGY HOLDINGS LIMITED

長達科技控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8026)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

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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: (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

- Revenue of the Group for the six months ended 30 September 2009 amounted to HK\$33,004,000, representing a 51% drop as compared to the corresponding period in the previous financial year.
- The Group's gross profit for the six months ended 30 September 2009 was HK\$25,869,000, decreased by HK\$31,722,000 compared with the same period of last year.
- Loss attributable to equity holders of the Company for the six months ended 30 September 2009 amounted to HK\$1,683,000, decreased by HK\$19,958,000 compared with the same period of 2008. Excluding the fair value loss on convertible bonds and provision for litigation related to the convertible bonds, it would have been shown as a profit of HK\$1,593,000.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2009.

CONDENSED CONSOLIDATED INCOME STATEMENT
Six months and three months ended 30 September 2009

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months and three months ended 30 September 2009 together with the unaudited comparative figures for the corresponding periods in 2008 as follows:

	Notes	Six months ended 30 September		Three months ended 30 September	
		2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Revenue	2	33,004	66,925	17,770	26,598
Cost of sales		<u>(7,135)</u>	<u>(9,334)</u>	<u>(4,224)</u>	<u>(4,484)</u>
Gross profit		25,869	57,591	13,546	22,114
Other income and gains		2,428	818	904	424
Selling expenses		(7,138)	(10,336)	(4,225)	(6,253)
Administrative expenses		(16,355)	(18,126)	(8,594)	(9,054)
Other expenses		(3,341)	(2,611)	(2,469)	(2,103)
Fair value gain/(loss) on derivative component of convertible bonds		(1,654)	(2,356)	(801)	2,949
Finance costs		<u>(61)</u>	<u>—</u>	<u>(14)</u>	<u>—</u>
Profit/(loss) before tax	4	(252)	24,980	(1,653)	8,077
Tax	5	<u>(1,431)</u>	<u>(6,705)</u>	<u>(591)</u>	<u>(1,986)</u>
Profit/(loss) for the period attributable to equity holders of the Company		<u>(1,683)</u>	<u>18,275</u>	<u>(2,244)</u>	<u>6,091</u>
Earnings/(loss) per share attributable to equity holders of the Company	6				
Basic		<u>(HK0.3 cents)</u>	<u>HK3.1 cents</u>	<u>(HK0.4 cents)</u>	<u>HK1.0 cents</u>
Diluted		<u>N/A</u>	<u>HK3.0 cents</u>	<u>N/A</u>	<u>HK0.5 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**Six months and three months ended 30 September 2009**

	Six months ended		Three months ended	
	30 September		30 September	
	2009	2008	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period	(1,683)	18,275	(2,244)	6,091
Other comprehensive income:				
Exchange differences arising on consolidation on overseas subsidiaries	<u>—</u>	<u>2,129</u>	<u>—</u>	<u>2,129</u>
Total comprehensive income/(expense) for the period attributable to equity holders of the Company	<u>(1,683)</u>	<u>20,404</u>	<u>(2,244)</u>	<u>8,220</u>

CONDENSED CONSOLIDATED BALANCE SHEET
30 September 2009

	Notes	30 September 2009 <i>HK\$'000</i> (Unaudited)	31 March 2009 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	7	4,920	4,900
Investment property		2,320	1,888
Deposits		1,178	1,253
Available-for-sale investments		796	796
Deferred tax assets		<u>6,956</u>	<u>8,377</u>
Total non-current assets		<u>16,170</u>	<u>17,214</u>
CURRENT ASSETS			
Trade receivables	8	13,413	17,500
Prepayments, deposits and other receivables		7,424	5,824
Equity investments at fair value through profit or loss		3,118	1,911
Due from Directors		1,984	856
Pledged deposits	9	171	156
Cash and cash equivalents	9	<u>76,713</u>	<u>81,771</u>
Total current assets		<u>102,823</u>	<u>108,018</u>
CURRENT LIABILITIES			
Trade payables	10	2,303	2,838
Other payables, deposits received and accruals		10,356	16,762
Finance lease payables		137	130
Tax payable		5,418	4,617
Convertible bonds	11	36,000	36,000
Embedded financial derivative	11	<u>5,446</u>	<u>3,792</u>
Total current liabilities		<u>59,660</u>	<u>64,139</u>
NET CURRENT ASSETS		<u>43,163</u>	<u>43,879</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>59,333</u>	<u>61,093</u>
NON-CURRENT LIABILITIES			
Finance lease payables		127	197
Deferred tax liabilities		<u>409</u>	<u>1,160</u>
Total non-current liabilities		<u>536</u>	<u>1,357</u>
Net assets		<u>58,797</u>	<u>59,736</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	12	59,767	59,767
Reserves		<u>(970)</u>	<u>(31)</u>
Total equity		<u>58,797</u>	<u>59,736</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six months ended 30 September 2009

Attributable to equity holders of the Company

	Issued capital <i>HK\$'000</i>	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>	Accum- ulated losses <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2009 (Audited)	59,767	348,934	53	7,946	6,605	(363,569)	(31)	59,736
Loss for the period	—	—	—	—	—	(1,683)	(1,683)	(1,683)
Total comprehensive expense for the period	—	—	—	—	—	(1,683)	(1,683)	(1,683)
Equity-settled share option arrangements	—	—	—	—	744	—	744	744
At 30 September 2009 (Unaudited)	<u>59,767</u>	<u>348,934</u>	<u>53</u>	<u>7,946</u>	<u>7,349</u>	<u>(365,252)</u>	<u>(970)</u>	<u>58,797</u>
At 1 April 2008 (Audited)	59,727	348,808	53	5,436	2,533	(379,222)	(22,392)	37,335
Profit for the period	—	—	—	—	—	18,275	18,275	18,275
Other comprehensive income:								
Exchange differences arising on consolidation of overseas subsidiaries	—	—	—	2,129	—	—	2,129	2,129
Total comprehensive income for the period	—	—	—	2,129	—	18,275	20,404	20,404
Issue of shares	40	126	—	—	—	—	126	166
Equity-settled share option arrangements	—	—	—	—	2,716	—	2,716	2,716
At 30 September 2008 (Unaudited)	<u>59,767</u>	<u>348,934</u>	<u>53</u>	<u>7,565</u>	<u>5,249</u>	<u>(360,947)</u>	<u>854</u>	<u>60,621</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
Six months ended 30 September 2009

	Six months ended	
	30 September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash inflow/(outflow) from operating activities	(10,690)	45,746
Net cash outflow from investing activities	(1,128)	(2,343)
Net cash inflow/(outflow) from financing activities	<u>(63)</u>	<u>166</u>
Net increase/(decrease) in cash and cash equivalents	(11,881)	43,569
Cash and cash equivalents at beginning of period	81,771	33,202
Effect of foreign exchange rate changes, net	<u>—</u>	<u>606</u>
Cash and cash equivalents at end of period	<u>69,890</u>	<u>77,377</u>
Analysis of cash and cash equivalents		
Cash and bank balances	25,539	40,237
Non-pledged time deposits with original maturity of less than three months when acquired	<u>44,351</u>	<u>37,140</u>
	<u>69,890</u>	<u>77,377</u>

Notes:

1. Basis of Preparation

The Group's unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and Interpretations and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 condensed interim financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies applied in the preparation of the unaudited condensed interim financial statements are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2009, except the adoption of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA mandatory for annual periods beginning on or after 1 January 2009.

In the current period, the Group has adopted, for the first time, the following new and revised HKFRSs, which are effective for accounting periods beginning on or after 1 January 2009.

HKFRSs Amendments	Improvements to HKFRSs
HKFRS 1 & HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendments	Share-based Payment — Vesting Conditions and Cancellations
HKFRS 7 Amendments	Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation

The application of the above new and revised HKFRSs had resulted in certain changes on the disclosures on the Group's accounts while the results and financial position were not affected.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective, in the unaudited condensed interim financial statements. 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 condensed interim financial statements 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. Segment Information

The Group has adopted HKFRS 8 “Operating Segments” with effect from 1 April 2009. An operating segment is a component of the Group that engages in business activities from which the Group may earn revenues and incur expenses, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Group’s chief operating decision makers in order to allocate resource and assess performance of the segment.

For the periods presented, chief operating decision makers have determined that the Group has no operating segments as the Group is principally engaged in wireless mobile value added services and related business which is the basis to allocate resources and assess performance. No geographical information is presented as the Group’s customers and operations are located in Mainland China.

4. Profit/(Loss) before Tax

The Group’s profit/(loss) before tax is arrived at after charging:

	Six months ended		Three months ended	
	30 September		30 September	
	2009	2008	2009	2008
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation	1,094	1,135	555	588
Minimum lease payments under operating leases:				
Land and buildings	3,093	2,862	1,553	1,454
Motor vehicles	123	225	67	131
Employee benefit expense	16,965	18,135	8,542	9,671
Provision for litigation	1,622	—	1,622	—

5. Tax

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the six months and three months ended 30 September 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.

	Six months ended		Three months ended	
	30 September		30 September	
	2009	2008	2009	2008
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current — Elsewhere				
Charge for the period	10	4,425	10	1,096
Deferred	1,421	2,280	581	890
Total tax charge for the period	1,431	6,705	591	1,986

6. Earnings/(Loss) per Share Attributable to Equity Holders of the Company

The calculation of basic earnings/(loss) per share for the six months and three months ended 30 September 2009 are based on the loss for the period attributable to equity holders of the Company of HK\$1,683,000 (six months ended 30 September 2008: a profit of HK\$18,275,000) and HK\$2,244,000 (three months ended 30 September 2008: a profit of HK\$6,091,000) respectively, and the weighted average number of ordinary shares of 597,675,000 for the six months ended 30 September 2009 (six months ended 30 September 2008: 597,423,634) and 597,675,000 for the three months ended 30 September 2009 (three months ended 30 September 2008: 597,570,652) in issue during the periods.

Diluted loss per share for the six months and three months ended 30 September 2009 have not been disclosed, as the share options and the convertible bonds outstanding during these periods had an anti-dilutive effect on the basis loss per share for these periods.

The calculation of diluted earnings per share for the six months ended 30 September 2008 was based on the profit for the period attributable to ordinary equity holders of the Company of HK\$18,275,000. The calculation of diluted earnings per share for the six months ended 30 September 2008 has not included the potential effect of the deemed conversion of the convertible bonds into ordinary shares during the period as it had an anti-dilutive effect on the basic earnings per share for the period. The weighted average number of ordinary shares of 597,423,634 used in this calculation was the total of the number of ordinary shares in issue during the period as used in the basic earnings per share calculation, the weighted average number of ordinary shares on deemed exercise of all share options during the period assuming issuance at no consideration of 20,025,747.

The calculation of diluted earnings per share for the three months ended 30 September 2008 was based on the profit for the period attributable to ordinary equity holders of the Company of HK\$6,091,000, less the fair value gain on derivative component of convertible bonds of HK\$2,949,000. The weighted average number of ordinary shares of 597,570,652 used in this calculation was the total of the number of ordinary shares in issue during the period as used in the basic earnings per share calculation, the weighted average number of ordinary shares on deemed exercise of all share options during the period assuming issuance at no consideration of 22,933,953, and deemed conversion of all convertible bonds of 30,000,000.

7. Property, Plant and Equipment

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

	30 September 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (Audited)
Net book value, beginning of period/year	4,900	4,140
Additions	1,114	3,273
Write-off	—	(252)
Depreciation	(1,094)	(2,316)
Exchange realignment	—	55
	<hr/>	<hr/>
Net book value, end of period/year	<u>4,920</u>	<u>4,900</u>

8. Trade Receivables

An aging analysis of the Group's trade receivables, net of allowances and based on the invoice date, is as follows:

	30 September 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (Audited)
0 to 3 months	13,300	17,489
4 to 6 months	113	11
	<u>13,413</u>	<u>17,500</u>

9. Cash and Cash Equivalents and Pledged Deposits

	30 September 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (Audited)
Cash and bank balances	25,539	38,557
Time deposits	51,345	43,370
	76,884	81,927
Less: Pledged time deposits:		
Pledged for bank facilities	(171)	(156)
Cash and cash equivalents in the condensed consolidated balance sheet	76,713	81,771
Less: Time deposits matured beyond three months	(6,823)	—
	<u>69,890</u>	<u>81,771</u>

10. Trade Payables

An aged analysis of the trade payables as at the balance sheet date, based on payment due date, is as follows:

	30 September 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (Audited)
0 to 3 months	119	—
4 to 6 months	43	—
Over 12 months	2,141	2,838
	<u>2,303</u>	<u>2,838</u>

11. Convertible Bonds and Embedded Financial Derivative

The movements in the liability and derivative components of the Convertible Bonds during the period are as follows:

	Liability component <i>HK\$'000</i>	Derivative component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2009 (Audited)	36,000	3,792	39,792
Fair value loss recognised during the period	<u>—</u>	<u>1,654</u>	<u>1,654</u>
At 30 September 2009 (Unaudited)	<u>36,000</u>	<u>5,446</u>	<u>41,446</u>
At 1 April 2008 (Audited)	36,000	8,619	44,619
Fair value loss recognised during the period	<u>—</u>	<u>2,356</u>	<u>2,356</u>
At 30 September 2008 (Unaudited)	<u>36,000</u>	<u>10,975</u>	<u>46,975</u>

12. Share Capital

	30 September 2009		31 March 2009	
	Number of Shares	<i>HK\$'000</i> (Unaudited)	Number of Shares	<i>HK\$'000</i> (Audited)
Authorised:				
Ordinary shares of HK\$0.10 (31 March 2009: HK\$0.10) each	<u>2,500,000,000</u>	<u>250,000</u>	<u>2,500,000,000</u>	<u>250,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.10 (31 March 2009: HK\$0.10) each				
At beginning of period/year	597,675,000	59,767	597,275,000	59,727
Share options exercised	<u>—</u>	<u>—</u>	<u>400,000</u>	<u>40</u>
At end of period/year	<u>597,675,000</u>	<u>59,767</u>	<u>597,675,000</u>	<u>59,767</u>

13. Commitments

(a) Operating lease arrangements

The Group leases certain of its office properties and motor vehicles under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

At 30 September 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2009 HK\$'000 (Unaudited)	31 March 2009 HK\$'000 (Audited)
Land and buildings:		
Within one year	4,975	4,415
In the second to fifth years, inclusive	<u>732</u>	<u>2,859</u>
	5,707	7,274
Motor vehicles:		
Within one year	<u>12</u>	<u>22</u>
	<u>5,719</u>	<u>7,296</u>

(b) Capital commitments

The Group did not have any significant capital commitments as at 30 September 2009.

At 31 March 2009, the Group had capital commitments of HK\$115,000, contracted but not provided for, in respect of leasehold improvements for the Group's office premises.

14. Contingent Liabilities

At 30 September 2009, the Group has contingent liabilities in respect of the proceeding brought by Tallmany Enterprises Limited against the Company as set out in the Capital Structure section of this announcement. No provision has been made in the unaudited condensed interim financial statements in respect of the Company's liability for the Plaintiff's costs of the action as the amount cannot at present be reasonably estimated.

Saved as disclosed above, the Group had no other material contingent liabilities.

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group generated HK\$33,004,000 revenue for the six-month period ended 30 September 2009, representing HK\$33,921,000 or 51% drop as compared to HK\$66,925,000 for the corresponding period of last year. For the three-month period ended 30 September 2009, revenue amounted to HK\$17,770,000, increased by HK\$2,536,000 or 17% from last quarter.

Under the six-month review period, gross profit amounted to HK\$25,869,000, compared to HK\$57,591,000 for the same period of last year. Gross profit margin decreased to 78% from 86% for the same period of last year due to the level of decrease in revenue was larger than those in cost of sales.

For the six months ended 30 September 2009, the overall operating expenses including selling, administrative and other expenses totaled HK\$26,834,000, decreased by HK\$4,239,000 or 14% compared to the same period of last year. Selling expenses decreased by HK\$3,198,000 or 31% compared to the corresponding period of last year, it was mainly due to lower promotion and marketing expenses. Administrative expenses decreased by HK\$1,771,000 or 10%, mainly due to decrease in staff costs and share-based payment expenses. On the other hand, other expenses increased by HK\$730,000 or 28% mainly due to provision for litigation was made in current period.

Loss for the period attributable to equity holders of the Company for the six months ended 30 September 2009 amounted to HK\$1,683,000, compared to a profit of HK\$18,275,000 for the same period of last year. Excluding the fair value loss on derivative component of convertible bonds of HK\$1,654,000 and provision for litigation related to the convertible bonds of HK\$1,622,000, it would have been shown as a profit attributable to equity holders of HK\$1,593,000.

Financial Position, Liquidity, Financial Resources and Gearing Ratio

The total equity of the Group as at 30 September 2009 was HK\$58,797,000 (31 March 2009: HK\$59,736,000). The Group had net current assets of HK\$43,163,000 (31 March 2009: HK\$43,879,000). The Group's current ratio (current assets over current liabilities), was approximately 1.7 as at 30 September 2009 (31 March 2009: 1.7). The Group had cash and cash equivalents of HK\$76,713,000 as at 30 September 2009 (31 March 2009: HK\$81,771,000). 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 costs of funds, the Group's treasury activities are centralized and cash is generally placed in deposits, mostly denominated in Renminbi and Hong Kong dollars. As at 30 September 2009, the gearing ratio of the Group (total borrowings over total equity) was 71% (31 March 2009: 67%).

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 September 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.

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

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 September 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\$1,654,000 was recognised in the unaudited condensed interim financial statements.

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.

It is Tallmany's claim that it is entitled to early redemption of the Convertible Bonds on the basis of an alleged breach of the Subscription Agreement, and on 10 March 2009, issued proceedings against the Company in respect of such alleged breach. Details of the proceedings were provided in the Company's annual report 2009 (page 10 to 13) published on the GEM website on 26 June 2009.

Since the publication of its 2009 annual report, the Company has filed an application for security for its legal costs against Tallmany on the basis that Tallmany is an overseas plaintiff. In addition, Tallmany has filed an application for summary judgment. Both applications were heard in the High Court on 18 September 2009.

On 20 October 2009, the High Court handed down summary judgment ordering the Company to pay the Plaintiff of HK\$36,000,000 plus interest at the judgment rate from 10 March 2009 until the date of judgment. The Company was also held liable to the Plaintiff for the latter's legal costs. The Company is appealing the said judgment. In late October 2009, it served on Tallmany a Notice of Appeal and also issued an application for stay of execution of the judgment pending final determination of the appeal. The application for stay of execution will be heard on 13 November 2009. Hearing date for the appeal has yet to be fixed.

The Convertible Bonds have been recorded as current liabilities and the 25% premium over the principal amount of the Convertible Bonds (i.e. the total sum of HK\$36,000,000) was accounted for in the condensed consolidated balance sheet as at 30 September 2009 and audited consolidated balance sheet as at 31 March 2009. Provision has been made for the interest at the judgment rate up to 30 September 2009 in the condensed consolidated balance sheet as at 30 September 2009. No provision has been made in the unaudited condensed interim financial statements in respect of the Company's liability for the Plaintiff's costs of the action as the amount cannot at present be reasonably estimated.

If the application for stay of execution is unsuccessful and the Company is required to or otherwise decides to pay the amount in full as held under the above judgment, the cash flow of the Group will be reduced. However, having regard to the current financial position of the Group, the management is of the view that the Group (after making the said payment) will have sufficient working capital for running its business in the ordinary course.

Contingent Liabilities

At 30 September 2009, the Group has contingent liabilities in respect of the proceeding brought by Tallmany against the Company as set out in the Capital Structure section of this announcement. No provision has been made in the unaudited condensed interim financial statements in respect of the Company's liability for the Plaintiff's costs of the action as the amount cannot at present be reasonably estimated.

Saved as disclosed above, the Group had no other material contingent liabilities.

Significant Investments and Disposal

There were no material acquisitions or disposals of subsidiaries by the Company during the period under review.

Foreign Currency Exchange Exposure and Treasury Policies

As most of the Group's trading transactions, monetary assets and liabilities are denominated in Renminbi and Hong Kong dollars, the impact of the foreign exchange exposure of the Group was minimal and there was no significant adverse effect on the normal operations. As at 30 September 2009, no related hedges were made by the Group.

Employees and Remuneration Policy

As at 30 September 2009, the Group had a total of 152 employees. The Group's remuneration policy is basically determined by the performance of individual employees and the market condition. In addition to salaries and discretionary bonus, employee benefits included medical scheme, pension contributions and share option schemes.

Business Review and Outlook

The Group achieved HK\$17,770,000 consolidated revenue during the quarter ended 30 September 2009, representing a 17% increase compared to the last quarter ended 30 June 2009. Despite the macroeconomic slowdown, the Group still maintained a moderate growth in revenue compared to last quarter. Highlights of developments for the six-month review period are as follows:

1. ***Broadening cooperation with telecom operators.*** During the period under review, the Group has successfully contracted with some provincial telecom operators on development of precision marketing model based on data mining. Such marketing 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. Further, the Group formally partnered with an internationally renowned consultancy company on the development of data mining during this quarter.
2. ***Pursuing cooperation with new telecom operators.*** The Group obtained some progress in its business cooperation with new telecom operators during the review period, providing more opportunities for exploring new income streams.
3. ***Expansion of new business channels.*** The Group continued to explore new channels for the provision of wireless music search services 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 the Group's services directly through their mobile phones.
4. ***Enhancement of service quality and users' experience.*** The Group constantly enhanced its wireless search service quality and improved users' experience with greater functionality of the Group's patented search engine.

Looking forward, the operating environment of this financial year is still full of challenges including potential changes in business policies by telecom operators. The Group will closely monitor the market conditions and implement appropriate strategies including aggressive cost control measures and organization restructuring.

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

As at 30 September 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, 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:

Interests or short positions in the ordinary shares or underlying shares of the Company

Name of Director	Notes	Capacity and nature of interest	Number of ordinary shares or underlying shares Note (6)	Percentage of the Company's issued share capital Note (7)
Mr. Yip Heon Keung	(1) & (2)	Interest of controlled corporations	404,280,619 (L) 30,000,000 (S)	67.64% 5.02%
Mr. Yip Heon Ping	(3), (4) & (5)	Object of a discretionary family trust, beneficially owned & through a controlled corporation	304,280,619 (L)	50.91%

Notes:

- (1) 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 Group Limited (“Uniright”) and its entire issued capital is held by Mr. Yip Heon Keung and Mr. Yip Heon Wai, a former Director of the Company, 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.
- (2) 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.

- (3) Mr. Yip Heon Ping was appointed as a Director of the Company on 6 August 2009.
- (4) By virtue of the SFO, Mr. Yip Heon Ping, being one of the discretionary objects of The New Millennium Trust for the time being, is deemed to be interested in 304,280,619 shares of the Company.
- (5) Among these shares, 122,597,702 shares is held by Greenford as a trustee mentioned above. The entire issued share capital in Greenford is held by Mr. Yip Heon Ping.
- (6) 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.
- (7) Based on 597,675,000 shares of the Company in issue as at 30 September 2009.

The interests of the Directors in the share options of the Company are separately disclosed in the section “SHARE OPTION SCHEMES” below.

In addition to the above, certain Directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely.

Save as disclosed above, as at 30 September 2009, none of the Directors of the Company had registered an interest or short position in the ordinary shares or underlying shares of the Company or any of its associated corporations that are 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.

SHARE OPTION SCHEMES

The Company’s share option scheme which was approved by the shareholders on 7 March 2000 (the “Old Scheme”) was terminated and replaced by a new share option scheme approved by the shareholders at the extraordinary general meeting of the Company held on 9 April 2002 (the “New Scheme”). The options granted under the Old Scheme remain exercisable within their respective exercise periods.

A summary of the Old Scheme and the New Scheme is set out below:

(a) Old Scheme

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 Old Scheme, the Board was authorised, at its absolute discretion, to grant options to the Company's Directors and employees of the Group to subscribe for ordinary shares of the Company. The Old 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.

(b) New Scheme

The New Scheme became effective for a period of 10 years commencing on 23 April 2002. 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; 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. 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.

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.

Options to subscribe for shares of the Company under the Old Scheme

Details of the outstanding share options during the six-month period are as follows:

Name or category of participant	Number of share options				At 30 September 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	Exercised during the period	Transferred during the period	Lapsed during the period				
Directors								
Mr. Yip Heon Keung	5,300,000	–	–	–	5,300,000	22 August 2001	22 August 2001 to 21 August 2011	0.40
Mr. Yip Heon Ping	–	–	6,300,000	–	6,300,000	22 August 2001	22 August 2001 to 21 August 2011	0.40
Mr. Yip Heon Wai [#]	5,300,000	–	(5,300,000)	–	–	22 August 2001	22 August 2001 to 21 August 2011	0.40
	<u>10,600,000</u>	<u>–</u>	<u>1,000,000</u>	<u>–</u>	<u>11,600,000</u>			
Other employees of the Group								
In aggregate	14,765,000	–	(1,000,000)	–	13,765,000	22 August 2001	22 August 2001 to 21 August 2011	0.40
	<u>25,365,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>25,365,000</u>			

Options to subscribe for shares of the Company under the New Scheme

Details of the outstanding share options during the six-month period are as follows:

Name or category of participant	Number of share options				At 30 September 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	Exercised during the period	Transferred during the period	Lapsed during the period				
Director								
Mr. Guan Ming Jie ^{##}	5,000,000	–	(5,000,000)	–	–	3 April 2008	3 April 2008 to 2 April 2018	0.410
Other employees of the Group								
In aggregate	800,000	–	–	–	800,000	22 May 2002	22 May 2002 to 21 May 2012	0.260
In aggregate	1,650,000	–	–	–	1,650,000	26 March 2004	26 March 2004 to 25 March 2014	0.100
In aggregate	7,380,000	–	–	–	7,380,000	10 May 2006	10 May 2006 to 9 May 2016	0.170
In aggregate	1,500,000	–	–	–	1,500,000	23 November 2007	23 November 2007 to 22 November 2017	0.878
In aggregate	2,500,000	–	–	–	2,500,000	2 January 2008	2 January 2008 to 1 January 2018	0.600
In aggregate	4,000,000	–	–	–	4,000,000	3 April 2008	3 April 2008 to 2 April 2018	0.410
Others								
In aggregate	200,000	–	–	–	200,000	26 March 2004	26 March 2004 to 25 March 2014	0.100
In aggregate	2,000,000	–	–	–	2,000,000	24 June 2005	24 June 2005 to 23 June 2015	0.100
In aggregate	1,000,000	–	–	–	1,000,000	29 June 2006	29 June 2006 to 28 June 2016	0.380
In aggregate	5,000,000	–	–	–	5,000,000	6 July 2007	1 October 2008 to 5 July 2017	0.396
In aggregate	5,200,000	–	5,000,000	–	10,200,000	3 April 2008	3 April 2008 to 2 April 2018	0.410
In aggregate	200,000	–	–	–	200,000	3 June 2008	3 June 2008 to 2 June 2018	0.417
	<u>36,430,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>36,430,000</u>			

Mr. Yip Heon Wai has retired as a Director of the Company but remained as an employee of the Group since 30 July 2009. Pursuant to the Old Scheme, he is still entitled to his share options to subscribe for 5,300,000 shares of the Company in his capacity as an employee of the Group.

Mr. Guan Ming Jie has retired as a Director of the Company on 30 July 2009 but his share options to subscribe for 5,000,000 shares of the Company were extended one year to 29 July 2010.

* The time of acceptance of the share options was within 21 days from the options offer date. The share options granted are subject to certain vesting period and vary for each category of participant as specified under the respective share option schemes.

** The exercise price of the share options was subject to some adjustments in the case of rights or bonus issues, or other similar changes in the Company's share capital.

As at 30 September 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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 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 Seng Mun	(2), (3), (4) & (5)	Founder of a discretionary family trust, beneficially owned & through controlled corporations	310,280,619 (L)	51.91%
Knicks Capital Inc.	(6)	Directly beneficially owned	50,925,000 (L)	8.52%
Mr. Zhang Xingsheng	(6)	Interest of a controlled corporation	50,925,000 (L)	8.52%
Uniright Group Limited	(7) & (10)	Directly beneficially owned	100,000,000 (L) 30,000,000 (S)	16.73% 5.02%
Mr. Yip Heon Wai	(7), (8) & (10)	Interest of a controlled corporation	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 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. Mr. Yip Seng Mun is a former Director of the Company and Mr. Yip Heon Ping is a Director 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 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.
6. Knicks Capital Inc. is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Mr. Zhang Xingsheng.
7. Uniright is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Mr. Yip Heon Keung, a Director of the Company and Mr. Yip Heon Wai, a former Director of the Company, in equal shares.
8. By virtue of the SFO, Mr. Yip Heon Wai, a former Director of the Company, is deemed to be interested in 100,000,000 shares of the Company held by Uniright.
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 charger, 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 September 2009.

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

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the six months ended 30 September 2009.

CORPORATE GOVERNANCE PRACTICES

Save as the deviation disclosed below, 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 throughout the period under review.

With respect to the deviation, the CG Code provision A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the period under review, following the retirement of Mr. Guan Ming Jie as an executive Director of the Company and his resignation from the office of the chief executive officer of the Company on 30 July 2009, the appointment of the chief executive officer is still outstanding. The Company will continue to use its best endeavours to fill the vacancy as soon as practicable.

RESIGNATION OF DIRECTOR

Subsequent to the reported period ended 30 September 2009 and prior to the date of this announcement, Mr. James T. Siano resigned from his offices of an independent non-executive Director and the Chairman of the audit committee of the Company (“Audit Committee”), both took effect on 1 November 2009.

ACTING CHIEF EXECUTIVE OFFICER

As mentioned above, the appointment of the chief executive officer of the Company is still outstanding. During the transitional period, Mr. Yip Heon Keung, an executive Director of the Company, will assume the post of the acting chief executive officer of the Company with effect from 9 November 2009.

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 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.

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. Following the resignation of Mr. James T. Siano as an independent non-executive Director and an Audit Committee member on 1 November 2009, the Company has only two independent non-executive Directors and two Audit Committee members, and there is no independent non-executive Director with relevant professional qualifications of accounting or financial management expertise, which falls below the minimum number required under Rule 5.05 and 5.28 of the GEM Listing Rules. The Company is endeavouring to identify a suitable candidate to fill the vacancies of independent non-executive Director and Audit Committee member of the Company so as to comply with the minimum number requirement for independent non-executive Directors and Audit Committee members under Rule 5.05 and 5.28 of the GEM Listing Rules as soon as possible. Further announcement will be made by the Company once the new appointments are confirmed in due course. During the transitional period, Ms. Lai May Lun will assume the post of the acting Chairman of the Audit Committee with effect from 9 November 2009.

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 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.

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.

By Order of the Board
Yip Heon Keung
Chairman

Hong Kong, 9 November 2009

As at the date of this announcement, the Board comprises Mr. Yip Heon Keung and Mr. Yip Heon Ping (both of them are executive Directors); Dr. Xu Zhiming and Mr. Zhang Ying (both of them are non-executive Directors); Ms. Tse Yuet Ling, Justine and Ms. Lai May Lun (both 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.