



# 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 2010

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities trade on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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*This announcement, for which the directors (the “Directors”) of Prosten Technology Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

\* For identification purpose only

## HIGHLIGHTS

- Revenue of the Group for the three months ended 30 June 2010 amounted to HK\$17,540,000, representing a 15% increase as compared to the corresponding period in the previous financial year.
- The Group's gross profit was HK\$15,415,000, increased by HK\$3,092,000 or 25% compared with the same period of last year.
- Profit attributable to equity holders of the Company for the three months ended 30 June 2010 amounted to HK\$354,000, decreased by HK\$207,000 compared with the same period of 2009.
- The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2010.

## 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 2010 together with the comparative unaudited figures for the corresponding period in 2009 as follows:

	Notes	<b>Three months ended 30 June</b>	
		<b>2010</b>	<b>2009</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	2	<b>17,540</b>	15,234
Cost of sales		<u><b>(2,125)</b></u>	<u>(2,911)</u>
Gross profit		<b>15,415</b>	12,323
Other income and gains		<b>687</b>	1,524
Selling expenses		<b>(3,636)</b>	(2,913)
Administrative expenses		<b>(9,481)</b>	(7,761)
Other expenses		<b>(851)</b>	(872)
Fair value loss on derivative component of convertible bonds		<b>—</b>	(853)
Finance costs		<u><b>(5)</b></u>	<u>(47)</u>
<b>Profit before tax</b>		<b>2,129</b>	1,401
Income tax expense	3	<u><b>(1,775)</b></u>	<u>(840)</u>
<b>Profit for the period attributable to equity holders of the Company</b>		<u><b>354</b></u>	<u>561</u>
<b>Earnings per share attributable to equity holders of the Company</b>	4		
Basic		<u><b>HK0.05 cents</b></u>	<u>HK0.09 cents</u>
Diluted		<u><b>HK0.05 cents</b></u>	<u>HK0.09 cents</u>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three months ended 30 June 2010

	Three months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Profit for the period</b>	<b>354</b>	<b>561</b>
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations	<u>627</u>	<u>—</u>
<b>Total comprehensive income for the period</b>	<b><u>981</u></b>	<b><u>561</u></b>

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 disclosure 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. These unaudited consolidated results 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 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 2010.

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 2010. The adoption of these new and revised HKFRSs had no significant financial effect on this financial results. 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 this 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, the Group is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's result 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.

## 3. Income 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 2010 (2009: 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.

	Three months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current — Elsewhere		
Charge for the period	—	—
Deferred	<u>1,775</u>	<u>840</u>
Total tax charge for the period	<u><u>1,775</u></u>	<u><u>840</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\$354,000 (2009: HK\$561,000), and the weighted average number of 755,217,637 (2009: 597,675,000) ordinary shares in issue during the period.

No adjustment has been made to the basic profit per share amount presented for the three months ended 30 June 2010 in respect of a dilution as the impact of the share options outstanding had anti-dilutive effects on the basic earning per share amount presented.

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

#### 5. Reserves

	Share premium account HK\$'000	Statutory reserve fund HK\$'000	Foreign currency translation reserve HK\$'000	Share option reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2010 (Audited)	371,932	53	8,163	7,368	(369,675)	17,841
Total comprehensive income for the period	—	—	627	—	354	981
Share options exercised	262	—	—	—	—	262
Equity-settled share option arrangements	—	—	—	534	—	534
Transfer of share option reserve on the exercised share options	181	—	—	(181)	—	—
Transfer of share option reserve on the forfeited share options	—	—	—	(21)	21	—
At 30 June 2010 (Unaudited)	<u>372,375</u>	<u>53</u>	<u>8,790</u>	<u>7,700</u>	<u>(369,300)</u>	<u>19,618</u>
At 1 April 2009 (Audited)	348,934	53	7,946	6,605	(363,569)	(31)
Total comprehensive income for the period	—	—	—	—	561	561
Equity-settled share option arrangements	—	—	—	385	—	385
At 30 June 2009 (Unaudited)	<u>348,934</u>	<u>53</u>	<u>7,946</u>	<u>6,990</u>	<u>(363,008)</u>	<u>915</u>

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2010 (2009: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

The profit attributable to equity holders of the Company for the three months ended 30 June 2010 amounted to HK\$354,000, as compared to HK\$561,000 for the same period in last year. Revenue of the Group for the three months ended 30 June 2010 amounted to HK\$17,540,000, representing a 15% increase as compared to the corresponding period in the previous financial year. The increase in revenue was attributable to the improvement of operation management and product enhancement. The mobile music search services business remained the key source of revenue of the Group, and the Group will continue to put effort in products and services enhancement, in order to maintain stability in its current business. The Group believes that it will be able to sustain the revenue growth in the coming quarters.

The Group's cost of sales for the period under review amounted to HK\$2,125,000, decreased by HK\$786,000 or 27% compared to the same period in last year due to decrease in staff and related costs. Under the three-month review period, the Group attained gross profit of HK\$15,415,000, representing an increase by HK\$3,092,000 or 25% compared with the same period of last year. The Group maintained a high level of gross profit margin of 88%, which represented an improvement over the gross profit margin of 81% as recorded in the same period of last year, it was mainly due to the drop in cost of sales.

Overall operating expenses including selling, administrative and other expenses amounted to HK\$13,968,000 for the current period under review, representing an increase by HK\$2,422,000 or 21% as compared to the same period in last year. Selling expenses amounted to HK\$3,636,000 for the current period under review, increased by HK\$723,000 or 25% as compared to the same period in last year due to increase in promotion and marketing expenses. Administrative expenses increased by HK\$1,720,000 or 22% to HK\$9,481,000, mainly due to increase in share option expenses and staff costs. Other income and gains decreased by HK\$837,000 or 55% to HK\$687,000 for the period under review, the main reason was that an amount of HK\$963,000 fair value gain on equity investments at fair value through profit or loss was recognised in the first quarter of last year.

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

The total equity of the Group as at 30 June 2010 was HK\$95,202,000 (30 June 2009: HK\$60,682,000). The Group had net current assets of HK\$83,799,000 as at 30 June 2010 (30 June 2009: HK\$44,899,000). The Group's current ratio (current assets over current liabilities), was approximately 6 as at 30 June 2010 (30 June 2009: 1.7). The Group had cash and cash equivalents of HK\$60,741,000 as at 30 June 2010 (30 June 2009: HK\$80,326,000). During the period under review, the Group

financed its operations mainly with its revenue from operations. The Group adopts 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 2010, the gearing ratio of the Group (total borrowings over total equity) was 0.2% (30 June 2009: 70%).

## **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.

### *Changes in shareholding*

On 21 April 2010, the Company was informed by Mr. Yip Heon Keung, the Chairman of the Board and an executive Director, that a total of 100,000,000 shares having a par value of HK\$0.10 each in the Company were sold by Uniright Group Limited ("Uniright") to Will City Limited ("Will City"). Completion of such sale took place on 21 April 2010. Uniright is a company whose issued share capital is owned by Mr. Yip Heon Keung and Mr. Yip Heon Wai (a former Director) in equal shares.

## **Business Review and Outlook**

The Group has been active in dealing with the regulatory pressure and market challenges in the mobile internet industry in China. The Group has achieved steady growth in subscribers' patronage and wireless music search business through enhancing the efficiency in operation and promotion, optimizing wireless music search technologies, improving product service system and increasing efforts in marketing. This has laid a solid foundation for the Group's development in this financial year. With the philosophy of "Rigorous Management and Precise Operation", the Group has effectively increased its music services revenue based on TD-SCDMA, the proportion in the Group's revenue from MP3 ring tones and songs download has further increased, it was a major contribution to the growth of the Group's total revenue in wireless music search services.

In addition, the Group continues to strengthen and optimize the core technology of wireless music search engines. Search services such as SMS, WAP and WWW have been seamlessly upgraded and extended to a service system that can vertically search more contents, including music, image, singer and lyrics etc. Moreover, the Group actively explores new business development in derivative services such as wireless music clubs, music fans clubs and interaction activities with artists, as well as launching new products with the main contents of music helper, 3G fun clubs and guidelines for color ring back tone. They have effectively increased the trial-use satisfaction rate of wireless music search users and raised their interests.

During the quarter under review, the 2010 World Expo in Shanghai (the "World Expo") and 2010 South Africa World Cup (the "World Cup") have both become the targets for marketing. China Mobile and provincial telecom operators took this chance to launch large-scale marketing campaigns relating to music services. Wireless music search services are becoming one of the most convenient, accurate and

authoritative ways to obtain authorised music about the World Expo and the World Cup, which have won increasing favor from China Mobile users. In this quarter, the Group's wireless music search services business results attained its expectations.

The Group continued to focus on the precise marketing solutions based on data mining and actively developed close cooperation with China Mobile's wireless music base and several provincial telecom operators. During this period, the Group has outstanding results in the marketing activity targeting World Cup launched with Guangdong Mobile as it perfectly satisfied local users' demands for personalized music search services. The activity has testified the huge potential for localized precise marketing solutions cooperation.

Looking forward, China Mobile's wireless music market is expected to maintain an overall growth this year. The Group has confidence in the sustained growth of wireless music search business in the future. The Group will strive to promote a dual growth of the number of users and market shares in SMS-based music search services by increasing its efforts in marketing activities for SMS-based music search services, the embedded new "STK cards" and replaced for the old ones. Meanwhile, the Group will speed up putting into the market more new products about wireless music searching including music video, audio searching and music news, in order to promote business growth of download services of the songs base on TD-SCDMA. In addition, the World Expo will continue to trigger marketing campaigns for wireless music across China. The Group's wireless music search services will take advantage of the hot themes of the World Expo to bring a totally different music experience for the increasing wireless music users. Moreover, the Group will invest in facilitating the research and development of new products with a cross-platform based on WWW, WAP and the music terminal on mobile phones, so as to identify and satisfy users' increasingly different and diversified needs. The Group will focus on personalized services and endeavour to explore the new growth points, in order to secure the Group's rapidly sustained growth in the future and maintain its leading position in the wireless music search market.



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

As at 30 June 2010, the interests and short positions of the Directors and chief executive in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to the code of conduct regarding securities transactions by Directors adopted by the Company, notified to the Company and the Exchange, were as follows:

### Long positions in the ordinary shares of the Company

Name of Director	Notes	Capacity and nature of interest	Number of ordinary shares	Percentage of the Company's issued share capital Note (3)
Mr. Yip Heon Keung	(1)	Interest of a controlled corporation	296,534,619	39.23%
Mr. Yip Heon Ping	(2)	Object of a discretionary family trust and through a controlled corporation	296,534,619	39.23%

Notes:

- (1) These shares are held by 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. By virtue of the SFO, Mr. Yip Heon Keung is deemed to be interested in 296,534,619 shares of the Company held by Ace Central.
- (2) By virtue of the SFO, Mr. Yip Heon Ping, being one of the discretionary objects of The New Millennium Trust for the time being, is deemed to be interested in 296,534,619 shares of the Company. 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.
- (3) Based on 755,855,000 shares of the Company in issue as at 30 June 2010.

## **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.

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 2010	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 2010	Exercised during the period	Lapsed during the period				
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

None of the Directors were granted share options under the New Scheme to subscribe for shares of the Company.

As at 30 June 2010, the Company had outstanding options to subscribe for up to 25,065,000 shares and 34,780,000 shares under the Old Scheme and the New Scheme, respectively.

Save as disclosed above, as at 30 June 2010, none of the Directors and chief executive 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 was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, shareholders (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Long positions in the ordinary shares or underlying shares of the Company

Name of shareholder	Notes	Capacity and nature of interest	Number of ordinary shares or underlying shares	Percentage of the Company's issued share capital Note (9)
Greenford Company (PTC) Limited	(1)	Beneficially owned	122,597,702	16.22%
Century Technology Holding (PTC) Limited	(2)	Beneficially owned	114,851,701	15.19%
Bakersfield Global (PTC) Corporation	(3)	Beneficially owned	59,085,216	7.82%
Ace Central Group (PTC) Limited (as trustee of The New Millennium Trust)	(4)	Trustee of a discretionary family trust and through controlled corporations	296,534,619	39.23%
Mr. Yip Seng Mun	(2), (3), (4) & (5)	Founder of a discretionary family trust, beneficially owned and through controlled corporations	301,095,619	39.84%
Knicks Capital Inc.	(6)	Beneficially owned	40,480,000	5.36%
Mr. Zhang Xingsheng	(6)	Interest of a controlled corporation	40,480,000	5.36%
Right Advance Management Limited	(7)	Beneficially owned	150,000,000	19.85%
Ms. Wang Li Mei	(7)	Interest of a controlled corporation	150,000,000	19.85%
Mr. Wang Leilei	(7)	Interest of a controlled corporation	150,000,000	19.85%
Will City Limited	(8)	Beneficially owned	100,000,000	13.23%
Ms. Zhang Yingnan	(8)	Interest of a controlled corporation	100,000,000	13.23%

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.
- (4) An aggregate of 296,534,619 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.
- (5) By virtue of the SFO, Mr. Yip Seng Mun is deemed to be interested in 296,534,619 shares of the Company as the founder of The New Millennium Trust and personally interested in 561,000 shares of the Company. In addition, he is also entitled to his share options to subscribe for 4,000,000 shares of the Company in his capacity as an employee of the Group.
- (6) Knicks Capital Inc. is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Mr. Zhang Xingsheng.
- (7) Right Advance Management Limited (“Right Advance”) is a company incorporated in the British Virgin Islands and its entire issued share capital is registered in the name of Ms. Wang Li Mei, such shares are ultimately owned by Mr. Wang Leilei. Ms. Wang Li Mei is the sole director of Right Advance.
- (8) Will City is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Ms. Zhang Yingnan.
- (9) Based on 755,855,000 shares of the Company in issue as at 30 June 2010.

## **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 2010, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the three months ended 30 June 2010.

## **OUTSTANDING APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR AND AUDIT COMMITTEE MEMBER**

Following the resignation of Mr. James T. Siano (“Mr. Siano”) as an independent non-executive Director and the Chairman of the audit committee of the Company (“Audit Committee”) on 1 November 2009 and up to the date of this announcement, the Company has only two independent non-executive Directors and two Audit Committee members. Since the Company has failed to find a suitable candidate to fill the vacancies before 1 February 2010, being the 3 months’ time from the resignation of Mr. Siano on 1 November 2009, the Company has breached Rules 5.05 and 5.28 of the GEM Listing Rules which respectively require the Company to retain at all times three independent non-executive directors with at least one of whom has relevant professional qualifications of accounting or financial management expertise and a minimum of three members to comprise the audit committee. The Company has also breached Rules 5.06 and 5.33 of the GEM Listing Rules which require the Company to meet the requirements as stipulated under Rules 5.05 and 5.28 of the GEM Listing Rules within 3 months after failing to meet such requirements.

The Company has, since November 2009, taken steps to identify a suitable candidate to fill the vacancies. A number of potential candidates have been suggested or introduced to the Company, but most of them were considered not suitable due to various reasons such as conflict of interest or lack of relevant professional qualifications of accounting or financial management expertise. Nevertheless, the Company has identified a suitable candidate to fill such vacancies and will finalize the terms of the appointments as soon as possible. Further announcement will be made by the Company once the new appointments are confirmed in due course.

## **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.

The CG Code provision A.3 (Note 1) provides that every board of directors of a listed issuer must include at least three independent non-executive directors. During the period under review, following the resignation of Mr. 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.

## 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 this announcement and has provided advice and comments thereon.

Prior to the resignation of Mr. Siano, the Audit Committee comprised three independent non-executive Directors of the Company, namely Mr. Siano (Chairman of the Audit Committee), Ms. Tse Yuet Ling, Justine and Ms. Lai May Lun. Following the resignation of Mr. Siano 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. During the transitional period, Ms. Lai May Lun assumed 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, 5 August 2010

*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); 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](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).*