



PROSTEN TECHNOLOGY HOLDINGS LIMITED

長達科技控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8026)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2010

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

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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 nine months ended 31 December 2010 amounted to HK\$59,773,000, representing a 15% increase as compared to the corresponding period in the previous financial year.
- The Group's gross profit was HK\$47,271,000, increased by HK\$7,938,000 compared with the same period of last year.
- Profit attributable to equity holders of the Company for the nine months ended 31 December 2010 amounted to HK\$1,128,000, increased by HK\$595,000 compared with same period of 2009.
- The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 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 nine months and three months ended 31 December 2010 together with the unaudited comparative figures for the corresponding periods in 2009 as follows:

	Notes	Nine months ended 31 December		Three months ended 31 December	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Revenue	2	59,773	51,772	22,676	18,768
Cost of sales		<u>(12,502)</u>	(12,439)	<u>(5,542)</u>	(5,304)
Gross profit		47,271	39,333	17,134	13,464
Other income and gains		1,298	3,131	378	703
Selling expenses		(13,701)	(10,999)	(4,235)	(3,861)
Administrative expenses		(28,321)	(25,354)	(9,555)	(8,999)
Other expenses		(2,489)	(6,822)	(943)	(3,481)
Fair value loss on derivative component of convertible bonds		—	(1,654)	—	—
Gain on derecognition of convertible bonds		—	5,417	—	5,417
Finance costs		<u>(12)</u>	(92)	<u>(3)</u>	(31)
Profit before tax		4,046	2,960	2,776	3,212
Income tax expense	3	<u>(2,918)</u>	(2,427)	<u>(688)</u>	(996)
Profit for the period attributable to equity holders of the Company		<u>1,128</u>	<u>533</u>	<u>2,088</u>	<u>2,216</u>
Earnings per share attributable to equity holders of the Company	4				
Basic		<u>HK0.1 cents</u>	<u>HK0.1 cents</u>	<u>HK0.3 cents</u>	<u>HK0.4 cents</u>
Diluted		<u>HK0.1 cents</u>	<u>HK0.1 cents</u>	<u>HK0.3 cents</u>	<u>HK0.4 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Nine months and three months ended 31 December 2010

	Nine months ended		Three months ended	
	31 December		31 December	
	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period	1,128	533	2,088	2,216
Other comprehensive income				
Exchange differences on translation of foreign operations	<u>2,186</u>	<u>—</u>	<u>997</u>	<u>—</u>
Total comprehensive income for the period	<u>3,314</u>	<u>533</u>	<u>3,085</u>	<u>2,216</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 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 for the nine months and three months ended 31 December 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.

	Nine months ended		Three months ended	
	31 December		31 December	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current — Elsewhere				
Charge for the period	275	362	275	352
Deferred	<u>2,643</u>	<u>2,065</u>	<u>413</u>	<u>644</u>
Total tax charge for the period	<u><u>2,918</u></u>	<u><u>2,427</u></u>	<u><u>688</u></u>	<u><u>996</u></u>

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

The calculation of basic earnings per share for the nine months and three months ended 31 December 2010 are based on the profit for the period attributable to ordinary equity holders of the Company of HK\$1,128,000 (nine months ended 31 December 2009: HK\$533,000) and HK\$2,088,000 (three months ended 31 December 2009: HK\$2,216,000) respectively, and the weighted average number of ordinary shares of 755,777,182 for the nine months ended 31 December 2010 (nine months ended 31 December 2009: 598,609,909) and 756,055,000 for the three months ended 31 December 2010 (three months ended 31 December 2009: 600,469,565) in issue during the periods.

The calculation of diluted earnings per share for the nine months and three months ended 31 December 2010 are based on the profit for the period attributable to ordinary equity holders of the Company of HK\$1,128,000 (nine months ended 31 December 2009: HK\$533,000) and HK\$2,088,000 (three months ended 31 December 2009: HK\$2,216,000) respectively. The weighted average number of ordinary shares of 758,357,521 (nine months ended 31 December 2009: 606,965,118) and 758,034,215 (three months ended 31 December 2009: 626,583,928) respectively used in this calculation are the total of the number of ordinary shares in issue during the periods 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 periods assuming issuance at no consideration of 2,580,339 (nine months ended 31 December 2009: 8,355,209) and 1,979,215 (three months ended 31 December 2009: 26,114,363) respectively.

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 2010 (Audited)	371,932	53	8,163	7,368	(369,675)	17,841
Total comprehensive income for the period	—	—	2,186	—	1,128	3,314
Share options exercised	276	—	—	—	—	276
Equity-settled share option arrangements	—	—	—	1,440	—	1,440
Transfer of share option reserve on the exercised share options	203	—	—	(203)	—	—
Transfer of share option reserve on the forfeited share options	—	—	—	(1,050)	1,050	—
At 31 December 2010 (Unaudited)	<u>372,411</u>	<u>53</u>	<u>10,349</u>	<u>7,555</u>	<u>(367,497)</u>	<u>22,871</u>
At 1 April 2009 (Audited)	348,934	53	7,946	6,605	(363,569)	(31)
Total comprehensive income for the period	—	—	—	—	533	533
Issue of shares	22,653	—	—	—	—	22,653
Share issued expenses	(389)	—	—	—	—	(389)
Equity-settled share option arrangements	—	—	—	915	—	915
Transfer of share option reserve on the exercised share options	262	—	—	(262)	—	—
Transfer of share option reserve on the forfeited share options	—	—	—	(293)	293	—
At 31 December 2009 (Unaudited)	<u>371,460</u>	<u>53</u>	<u>7,946</u>	<u>6,965</u>	<u>(362,743)</u>	<u>23,681</u>

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months ended 31 December 2010, the Group's consolidated revenue amounted to HK\$59,773,000, increased by HK\$8,001,000 or 15% compared to corresponding period of last year. For the three months period ended 31 December 2010, revenue amounted to HK\$22,676,000, increased by HK\$3,908,000 or 21% compared to same period of last year. During the review period, telecom operators continued to implement new stringent regulations and policies on mobile value added industry. Despite facing these challenges, the Group will continue to strive for operational management improvement and product enhancement. The results from these efforts helped the Group generated a moderate growth in revenue during the nine-month period under review as compared to same period in 2009.

Cost of sales for the nine months ended 31 December 2010 amounted to HK\$12,502,000, slightly increased by HK\$63,000 or 1% compared to the correspondence period of last year. Gross profit amounted to HK\$47,271,000, increased by HK\$7,938,000 or 20% compared to the same period of last year. The Group's gross profit margin was 79%, which represented an improvement over the gross profit margin of 76% as recorded in the corresponding period of last year.

Overall operating expenses including selling, administrative and other expenses for the nine months ended 31 December 2010 amounted to HK\$44,511,000, slightly increased by HK\$1,336,000 or 3% compared to the same period of last year. Selling expenses increased by HK\$2,702,000 or 25% compared to the corresponding period of last year, it was mainly attributable to the increase in promotion and marketing expenses. Administrative expenses increased by HK\$2,967,000 or 12%, mainly due to increase in staff costs and share option expenses. On the other hand, other expenses decreased by HK\$4,333,000 or 64% mainly due to related expenses of convertible bonds was charged to other expenses in the corresponding period of last year.

Profit attributable to equity holders of the Company for the nine months ended 31 December 2010 amounted to HK\$1,128,000, increased by HK\$595,000 compared to the same period of last year.

Financial Position, Liquidity and Financial Resources

The total equity of the Group as at 31 December 2010 was HK\$98,476,000. The Group had net current assets of HK\$86,441,000 as at 31 December 2010. The Group's current ratio was approximately 4.9 as at 31 December 2010. The Group had cash and bank balances of HK\$49,428,000 as at 31 December 2010, included pledged deposits of HK\$236,000. During the period under review, the Group financed its operations mainly with its revenue from operations. The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimize the costs of funds, the Group's treasury activities are centralized and cash is generally placed in deposits, denominated mostly in Renminbi and Hong Kong dollars.

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

During this quarter, the market for mobile value added business recovered as the rectification by telecom operators of the pricing channels of such business closed to an end, which has in turn boosted the overall recovery of the mobile internet industry in China. Mobile value added services such as wireless music, mobile games, mobile readers and other personal recreation services all grew as to their customer bases. Centering on its core music search services, the Group has invested in various new products. In addition, the Group has carried out marketing cooperation for the new products with China Mobile's Sichuan music base and several provincial operators. This has not only opened up marketing channels for more customers, but also effectively increased the number of wireless music users as well as promoted user's patronage and the business's vibrancy.

The main business developments in this quarter were as follows:

1. Together with China Mobile, the Group vigorously carried out music marketing campaigns for the 2010 Guangzhou Asian Games (the "Asian Games"). Such campaigns for the Asian Games songs focused on Guangdong Province and were extended to the whole nation under cooperation with various provincial operators. Meanwhile, the Group organized marketing theme events with the Sichuan music base featuring five festivals including Christmas, the New Year and the Chinese New Year. These events worked nicely with other offline marketing activities including more than one hundred concerts across the country and various music fans clubs. Music marketing resources were abundant, with over 100 million using records in total.
2. Based on the wireless music search services, the Group enhanced its cooperation with China Mobile's Sichuan music base to establish the wireless music SMS portal. With services featuring SMS requests, the Group has provided users with one-stop music services. Various derivative products such as lyrics, image and music information are added to the existing music services such as songs download, color ring back tones and ring tones. Interactive and personalized services are also provided for color ring back tones, where users can check and copy the tones of their friends and present theirs as gifts. New products have attracted a number of users as soon as they were launched, which effectively enhanced the patronage of wireless music search users.

3. The Group has completed the upgrade of its wireless music search services and coordinated with Guangdong China Mobile to launch advanced search services ahead of the market, where more fashionable music contents including music information, artist image, lyrics and concert information are provided in the form of multimedia messages. This has broken the bottleneck of SMS which limit word count. Such service has been widely promoted during the Asian Games and has a growing number of users which has currently exceeded 500,000.
4. The Group continued to devote more resources to research and development in order to keep enhancing its searching technology. The research and development of the “music fingerprint” technology is our priority and has seen breakthroughs so far. During this quarter, the Group officially launched handsets embedded with music applications products for commercial use focusing on audio search services. Meanwhile, handsets embedded with color ring back tones applications products were promoted by regions with various provincial operators. The products have offered a convenient tool for users to change and share their color ring back tones.

Looking forward, 2011 will see ongoing recovery of mobile value added business in China and telecom operators will gradually resume their efforts in promoting the mobile value added business. Meanwhile, as the mobile internet market is experiencing a surge of growth, China Mobile’s TD-SCDMA-based 3G user base will continue to grow rapidly, boosting the recovery of the music market. Therefore, the Group is confident that the wireless music business will achieve expected growth rate in the future. Overall, the Group will continue to enhance its marketing cooperation with China Mobile to exploit more marketing resources for music business; continue to strengthen its effort to achieve a diversified music business centering on wireless music search services; increase efforts in the research and development of more new music products and applications, especially for Android and Apple phones; enhance its channels so as to widely expand the wireless music market. However, telecom operators will continue to strengthen the management of their partners in value added business and issue more restrictive policies. In particular, China Mobile will change its overall commercial policy with cooperation support parties for value added business, resulting in changes in different levels of the cooperation model and commercial contract terms. To minimize the adversely policy impact, the Group will further communicate with China Mobile about the commercial policy for their cooperation in wireless music search business.

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

As at 31 December 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	181,682,918	24.03%
Mr. Yip Heon Ping	(2)	Object of a discretionary family trust and through a controlled corporation	181,682,918	24.03%

Notes:

- (1) These shares are held by Greenford Company (PTC) Limited ("Greenford") and Bakersfield Global (PTC) Corporation ("Bakersfield") as trustees of The Greenford 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 181,682,918 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 181,682,918 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 756,055,000 shares of the Company in issue as at 31 December 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				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	At 31 December 2010			
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

The following Director was granted share options under the New Scheme to subscribe for shares of the Company, details of which are as follows:

Name of Director	Number of share options				At 31 December 2010	Date of share options granted	Exercise period of share options granted	Exercise price of share options granted HK\$ per share
	At 1 April 2010	Granted during the period	Transferred during the period	Lapsed during the period				
Ms. Li Luyi [#]	—	—	4,000,000	—	4,000,000	9 February 2010	9 February 2010 to 8 February 2020	0.66
	—	2,500,000	—	—	2,500,000	23 November 2010	23 November 2010 to 22 November 2020	0.27

[#] Ms. Li Luyi was appointed as a Director of the Company on 10 November 2010. Pursuant to the New Scheme, she is also entitled to the share options granted to her on 9 February 2010 and 23 November 2010 to subscribe for 4,000,000 shares and 2,500,000 shares of the Company respectively at an exercise price of HK\$0.66 per share and HK\$0.27 per share respectively in her capacity as an employee of the Group.

As at 31 December 2010, the Company had outstanding options to subscribe for up to 25,065,000 shares and 33,940,000 shares under the Old Scheme and the New Scheme, respectively.

Save as disclosed above, as at 31 December 2010, none of the Directors and chief executive of the Company had registered an interest or short position in the 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 31 December 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	7.81%
Ace Central Group (PTC) Limited (as trustee of The New Millennium Trust)	(4)	Trustee of a discretionary family trust and through controlled corporations	181,682,918	24.03%
Mr. Yip Seng Mun	(2), (3), (4) & (5)	Founder of a discretionary family trust, beneficially owned and through controlled corporations	301,095,619	39.82%
Knicks Capital Inc.	(6)	Beneficially owned	40,480,000	5.35%
Mr. Zhang Xingsheng	(6)	Interest of a controlled corporation	40,480,000	5.35%
Right Advance Management Limited	(7)	Beneficially owned	150,000,000	19.84%
Ms. Wang Li Mei	(7)	Interest of a controlled corporation	150,000,000	19.84%
Mr. Wang Leilei	(7)	Interest of a controlled corporation	150,000,000	19.84%
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 Technology Holding (PTC) Limited (“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 181,682,918 shares are held through Greenford and Bakersfield as trustees of The Greenford 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 181,682,918 shares of the Company as the founder of The New Millennium Trust, 114,851,701 shares of the Company as the beneficial owner of Century 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 756,055,000 shares of the Company in issue as at 31 December 2010.

Save as disclosed above, as at 31 December 2010, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) have any interests in a business which competes or may compete with the business of the Group, or has any other conflict of interest with the Group during the period under review.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

During the nine months ended 31 December 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 nine months ended 31 December 2010.

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 between 1 November 2009 and 20 August 2010, the Company had only two independent non-executive Directors. When Mr. Tam Chun Wan was appointed as an independent non-executive Director of the Company and the Chairman of the audit committee of the Company ("Audit Committee") with effect from 20 August 2010, the said deviation was rectified.

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.

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

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

REMUNERATION COMMITTEE

In accordance with the CG Code, the Company established 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, 27 January 2011

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); Mr. Chen Xiaoxin and Mr. Mah Yong Sun (both of them are non-executive Directors); Mr. Tam Chun Wan, Ms. Tse Yuet Ling, Justine and Ms. Lai May Lun (all of them are independent non-executive Directors).

This announcement will remain on the “Latest Company Announcement” page of the GEM website at www.hkgem.com for at least 7 days from the day of its posting and on the Company’s website at www.prosten.com.