



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 2011 AND PRICE SENSITIVE INFORMATION

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 2011 amounted to HK\$25,648,000, representing a 46% increase as compared to the corresponding period in the previous financial year.
- The Group's gross profit was HK\$17,755,000, increased by 15% compared with the same period of last year.
- Profit attributable to equity holders of the Company for the three months ended 30 June 2011 amounted to HK\$280,000, decreased by 21% compared with the same period of 2010.
- The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2011.

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 2011 together with the comparative unaudited figures for the corresponding period in 2010 as follows:

	Notes	Three months ended 30 June 2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Revenue	2	25,648	17,540
Cost of sales		<u>(7,893)</u>	<u>(2,125)</u>
Gross profit		17,755	15,415
Other income and gains		123	687
Selling expenses		(4,312)	(3,636)
Administrative expenses		(11,662)	(9,481)
Other expenses		(1,118)	(851)
Finance costs		<u>(1)</u>	<u>(5)</u>
Profit before tax		785	2,129
Income tax expense	3	<u>(505)</u>	<u>(1,775)</u>
Profit for the period attributable to equity holders of the Company		<u>280</u>	<u>354</u>
Earnings per share attributable to equity holders of the Company	4		
Basic		<u>HK0.04 cents</u>	<u>HK0.05 cents</u>
Diluted		<u>HK0.04 cents</u>	<u>HK0.05 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**Three months ended 30 June 2011**

	Three months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	280	354
Other comprehensive income		
Exchange differences on translation of foreign operations	<u>32</u>	<u>627</u>
Total comprehensive income for the period	<u><u>(312)</u></u>	<u><u>981</u></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 2011.

In the current period, the Group has adopted a number of new or revised HKFRSs, which are effective for accounting periods beginning on or after 1 April 2011. The adoption of these new or 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 or 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 periods.

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 2011 (2010: 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	
	2011	2010
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current — Elsewhere		
Charge for the period	708	—
Deferred	(203)	1,775
Total tax charge for the period	505	1,775

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\$280,000 (2010: HK\$354,000), and the weighted average number of 756,355,000 (2010: 755,217,637) ordinary shares in issue during the period.

The calculation of the diluted earnings per share amount for the period ended 30 June 2011 was based on the profit for that period attributable to ordinary equity holders of the Company of HK\$280,000. The weighted average number of ordinary shares of 757,781,747 used in this calculation was the weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 1,426,747 ordinary shares assumed to have been issued at no consideration on the deemed exercise of 3,000,000 dilutive share options during the period.

No adjustment has been made to the basic profit per share amount presented for the three months ended 30 June 2011 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.

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 2011 (Audited)	372,468	770	10,311	7,952	(368,040)	23,461
Total comprehensive income for the period (Unaudited)	—	—	32	—	280	312
Equity-settled share option arrangements (Unaudited)	—	—	—	301	—	301
Transfer of share option reserve on the forfeited share options (Unaudited)	—	—	—	(8)	8	—
At 30 June 2011 (Unaudited)	<u>372,468</u>	<u>770</u>	<u>10,343</u>	<u>8,245</u>	<u>(367,752)</u>	<u>24,074</u>
At 1 April 2010 (Audited)	371,932	53	8,163	7,368	(369,675)	17,841
Total comprehensive income for the period (Unaudited)	—	—	627	—	354	981
Share options exercised (Unaudited)	262	—	—	—	—	262
Equity-settled share option arrangements (Unaudited)	—	—	—	534	—	534
Transfer of share option reserve on the exercised share options (Unaudited)	181	—	—	(181)	—	—
Transfer of share option reserve on the forfeited share options (Unaudited)	—	—	—	(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>

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue of the Group for the three months ended 30 June 2011 amounted to about HK\$25,648,000, representing a 46% increase as compared to that of about HK\$17,540,000 for the three months ended 30 June 2010 (“2010 Q1”). The profit attributable to equity holders of the Company for the three months ended 30 June 2011 amounted to about HK\$280,000, while there was a profit attributable to equity holders of the Company of about HK\$354,000 for 2010 Q1, represented a decrease of 21%.

The business environment of mobile service providers remained challenging in recent years, resulting in the telecom operators’ reviewing of the pricing model of mobile music value added service as a whole. One of our contracts with a telecom operator expired in this quarter and negotiation for its renewal is in progress. The Group has pro-actively taken measures to alleviate the negative impact that may be brought about by this potential change by expanding our business with our business partners. In the current period, the increase in the product acceptance contributed to the increase in our revenue.

During the period under review, the Group’s target was to enhance its product and services quality assurance and product acceptance level to cope with the changing business environment. As a result, the Group’s cost of sales for the period under review amounted to about HK\$7,893,000, representing an increase of about HK\$5,768,000 or 271% compared to that of about HK\$2,125,000 for 2010 Q1.

In the current period, the Group attained gross profit of about HK\$17,755,000, representing an increase of 15% compared with that of 2010 Q1. The increase was mainly due to the increase in the Group’s revenue.

Overall operating expenses including selling, administrative and other expenses, totally amounted to about HK\$17,092,000 for the current three-month period, representing an increase by 22% as compared to that of about HK\$13,968,000 for 2010 Q1. Selling expenses amounted to about HK\$4,312,000 for the current period, representing an increase by 19% over that of about HK\$3,636,000 in 2010 Q1. The increase was due to additional promotional effort made as part of the Group’s strategy and development plan targeted at stimulating growth in revenue.

Administrative expenses increased from about HK\$9,481,000 in 2010 Q1 to about HK\$11,662,000 in this quarter, representing an increase of about 23%, which mainly due to the increase in staff costs such as severance payment, bonus and business trip expenses.

Other expenses represented cost of new products development and expenses of other non-operating activities. Other expenses increased by about 31% to about HK\$1,118,000 in the first quarter of 2011 which was mainly due to the increase in non-operating staff costs for continuous product development and service enhancement.

Other income and gains decreased by about 82% from about HK\$687,000 in the first quarter last year to about HK\$123,000 for the current period, which is mainly caused by the disposal of the short term investments of the Group last year, resulting in a decrease in investment related income. In addition, there is also a decrease in adjustment on the fair value of investment property in this quarter.

Due to a combination of the effects stated above, profit attributable to equity holders of the Group slightly decreased to about HK\$280,000 in period under review from about HK\$354,000 in 2010 Q1.

Financial Position, Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2011, the total equity of the Group amounted to about HK\$99.7 million (31 March 2011: HK\$99.1 million) and the Group's net current assets amount to about HK\$87.2 million (31 March 2011: HK\$86.5 million). The current ratio, which is calculated by current assets to current liabilities as at 30 June 2011 was 5.3 (31 March 2011: 4.5). The Group previously experienced slow collection in one of its major customers which resulted in high account receivable balances as of 31 March 2011. A portion of such receivable was settled in this quarter.

The Group adopts 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 2011, cash and bank balances amounted to about HK\$38.2 million, representing a slight increase from that as at 31 March 2011 of about HK\$34.2 million. During the period under review, the Group financed its operations mainly with its revenue from operations. As at 30 June 2011, the Group had a low gearing ratio (total borrowings over total equity) of 0.02% (31 March 2011: 0.05%).

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.

Investments During the Period under Review

On 16 February 2011, the Group entered into a sale and purchase agreement with four independent third parties to acquire 100% equity interest in 北京易歐游科技有限公司 (Beijing Yi Ou You Technology Company Limited, for identification purposes only), a company established in Mainland China, at a cash consideration of RMB300,000. The acquisition was completed in this quarter.

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 foreign exchange exposure to the Group was minimal and there was no significant adverse effect on normal operations. As at 30 June 2011, no related hedges were made by the Group.

Contingent Liabilities

As at 30 June 2011 (31 March 2011: Nil), the Group had no material contingent liabilities.

Business Review and Outlook

During the first quarter of 2011, the Group continued to implement its new strategy, which involved diversified development of the personal digital entertainment services with an aim of becoming a leading personal digital entertainment services provider in the PRC. With wireless music search services as our strategic core business, the Group has also developed other personal digital entertainment services, of which provision of entertainment information businesses, game business and personal music application business have achieved staged progress.

During this quarter, the Group maintained a steady growth in the number of users in wireless music search with an increase of 36.72 million new users. The new business was launched in the fourth quarter of 2010. The accumulated increases in the number of users of entertainment information and game business were over 8.7 million and 7.5 million respectively during this quarter.

The Group increased its efforts in promoting mobile internet music search services through the use of GPRS and TD network during the first quarter of 2011 and continued to bolster its proportion of revenue from GPRS and TD network based music services. Revenue from downloading of MP3 vibrating ringing tones and songs saw marked increase, and its proportion to the Company's revenue from the music business rose from 37.49% on the average in the fourth quarter of 2010 to 38.73% on average in the first quarter of 2011. The management anticipates that the revenue from the traditional wireless music search business of the Group will decrease. For details please refer to the section headed "Price sensitive information".

On one hand, the scale of wireless value added business industry and the wireless music search user base will continue to develop, but on the other hand, telecom operators will keep on tightening the control on the said business by introducing more restrictive policies on their business partners. In particular, China Mobile Limited ("China Mobile") will change its overall business policy with its business partners for value added business, resulting in changes in our levels of cooperation and varying commercial contract terms. To minimize adverse impact, the Group will further communicate with China Mobile about the business policy for our cooperation in wireless music search business.

During the second quarter of 2011, the Group will focus on providing comprehensive personal digital entertainment services and gradually increasing the number of users of non-music digital entertainment services as well as its revenue. The Group will also put emphasis on increasing revenue from the game business and the number of users of personal music application and aim at expanding our market share in wireless music search with a view to maintaining our leading market position in the paid wireless music search market. Moreover, we have reached detailed cooperation agreements with a number of provincial level operators in various provinces in China to roll out our close collaboration in music projects in order to provide more personalized music services to our users. Such project has a rosy outlook to become a new growth area of the Group.

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 full-range expansion of personal digital entertainment services centering on wireless music search services. We are confident in the prospect of the personal digital entertainment services in China and have strong belief in its continuous and steady development.

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

As at 30 June 2011, 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	24.02%
Mr. Yip Heon Ping	(2)	Object of a discretionary family trust and through a controlled corporation	181,682,918	24.02%

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 756,355,000 shares of the Company in issue as at 30 June 2011.

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 "2000 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 2000 Scheme.

At the extraordinary general meeting of the Company held on 9 April 2002, ordinary resolutions to approve the termination of the 2000 Scheme and the adoption of a new share option scheme (the "2002 Scheme") were duly passed by the shareholders. Upon termination of the 2000 Scheme, no further options will be granted thereunder but in all other respects, the provisions of the 2000 Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith. The 2002 Scheme became effective for a period of 10 years commencing on 23 April 2002. Under the 2002 Scheme, the Directors may, at their sole discretion, grant to any eligible participants under the 2002 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 2002 Scheme.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the 2002 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 2002 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 2000 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 2011	Exercised during the period	Lapsed during the period	At 30 June 2011			
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 2002 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 granted	Exercise period of share options granted	Exercise price of share options granted HK\$ per share
	At 1 April 2011	Exercised during the period	Lapsed during the period	At 30 June 2011			
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 2002 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 30 June 2011, the Company had outstanding options to subscribe for up to 25,065,000 shares and 33,520,000 shares under the 2000 Scheme and the 2002 Scheme, respectively.

Save as disclosed above, as at 30 June 2011, 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 30 June 2011, 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	16.21%
Century Technology Holding (PTC) Limited	(2)	Beneficially owned	114,851,701	15.18%
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	24.02%
Mr. Yip Seng Mun	(2), (3), (4) & (5)	Founder of a discretionary family trust, beneficially owned and through controlled corporations	301,095,619	39.81%
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	19.83%
Ms. Wang Li Mei	(7)	Interest of a controlled corporation	150,000,000	19.83%
Mr. Wang Leilei	(7)	Interest of a controlled corporation	150,000,000	19.83%
Will City Limited	(8)	Beneficially owned	100,000,000	13.22%
Ms. Zhang Yingnan	(8)	Interest of a controlled corporation	100,000,000	13.22%

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 Limited is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Ms. Zhang Yingnan.
- (9) Based on 756,355,000 shares of the Company in issue as at 30 June 2011.

Save as disclosed above, as at 30 June 2011, 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 three months ended 30 June 2011, 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 2011.

CORPORATE GOVERNANCE PRACTICES

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.

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.

PRICE SENSITIVE INFORMATION

This announcement is also made pursuant to Rule 17.10 of the GEM Listing Rules.

The Board would announce that the cooperation agreement (“Cooperation Agreement”) entered into by the Group and Sichuan Mobile Communication Company Limited (“Sichuan Mobile”), a subsidiary of China Mobile Limited, for the provision of operational support of wireless music search by the Group for the period from 5 January 2010 to 5 July 2011, expired on 5 July 2011. The Group is now in negotiation with Sichuan Mobile on the renewal of the Cooperation Agreement. In view of the tightening of control on the wireless value-added business by telecom operators, it is expected that should a renewed Cooperation Agreement be entered into, the terms offered may not be as favourable as the existing one, and the results of the Group may be affected as a result. The Group will make further announcement as and when appropriate in accordance with the GEM Listing Rules.

Shareholders and potential investors are therefore advised to exercise caution when dealing in the shares of the Company.

By Order of the Board
Yip Heon Keung
Chairman

Hong Kong, 8 August 2011

As at the date of this announcement, the Board comprises Mr. Yip Heon Keung, Mr. Yip Heon Ping and Ms. Li Luyi (all 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.