



# PROSTEN TECHNOLOGY HOLDINGS LIMITED

長達科技控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8026)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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\* For identification purpose only

## HIGHLIGHTS

- Revenue of the Group for the six months ended 30 September 2011 amounted to about HK\$39,332,000, representing a 6% increase as compared to the corresponding period in the previous financial year.
- The Group's gross profit for the six months ended 30 September 2011 was about HK\$24,570,000, representing a decrease of about HK\$5,567,000 compared with the same period of last year.
- Loss attributable to equity holders of the Company for the six months ended 30 September 2011 amounted to about HK\$5,605,000, representing an increase of about HK\$4,645,000 compared with the same period of 2010.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2011.

## CONSOLIDATED INCOME STATEMENT

### Six months and three months ended 30 September 2011

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months and three months ended 30 September 2011 together with the unaudited comparative figures for the corresponding periods in 2010 as follows:

	Notes	Six months ended 30 September		Three months ended 30 September	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>39,332</b>	37,097	<b>13,684</b>	19,557
Cost of sales		<u>(14,762)</u>	(6,960)	<u>(6,869)</u>	(4,835)
Gross profit		<b>24,570</b>	30,137	<b>6,815</b>	14,722
Other income and gains		<b>454</b>	920	<b>331</b>	233
Selling expenses		<b>(7,295)</b>	(9,466)	<b>(2,983)</b>	(5,830)
Administrative expenses		<b>(21,303)</b>	(18,766)	<b>(9,641)</b>	(9,285)
Other expenses		<b>(2,410)</b>	(1,546)	<b>(1,292)</b>	(695)
Finance costs		<u><b>(14)</b></u>	(9)	<u><b>(13)</b></u>	(4)
<b>Profit/(loss) before tax</b>	4	<b>(5,998)</b>	1,270	<b>(6,783)</b>	(859)
Income tax expense	5	<u><b>393</b></u>	(2,230)	<u><b>898</b></u>	(455)
<b>Loss for the period attributable to equity holders of the Company</b>		<u><u><b>(5,605)</b></u></u>	<u>(960)</u>	<u><u><b>(5,885)</b></u></u>	<u>(1,314)</u>
<b>Loss per share attributable to ordinary equity holders of the Company</b>	6				
Basic		<u><u><b>(HK0.7 cent)</b></u></u>	<u>(HK0.1 cent)</u>	<u><u><b>(HK0.8 cent)</b></u></u>	<u>(HK0.2 cent)</u>
Diluted		<u><u><b>(HK0.7 cent)</b></u></u>	<u>(HK0.1 cent)</u>	<u><u><b>(HK0.8 cent)</b></u></u>	<u>(HK0.2 cent)</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****Six months and three months ended 30 September 2011**

	<b>Six months ended</b>		<b>Three months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss for the period</b>	<b>(5,605)</b>	<b>(960)</b>	<b>(5,885)</b>	<b>(1,314)</b>
<b>Other comprehensive income</b>				
Exchange differences on translation of foreign operations	<u>32</u>	<u>1,189</u>	<u>—</u>	<u>562</u>
<b>Total comprehensive income/(expense) for the period</b>	<u><b>(5,573)</b></u>	<u><b>229</b></u>	<u><b>(5,885)</b></u>	<u><b>(752)</b></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2011

	Notes	30 September 2011 HK\$'000 (Unaudited)	31 March 2011 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	3,866	4,527
Investment property		3,294	3,278
Deposits		695	826
Available-for-sale investments		809	809
Deferred tax assets		4,008	3,615
Total non-current assets		<u>12,672</u>	<u>13,055</u>
<b>CURRENT ASSETS</b>			
Trade receivables	8	44,893	68,834
Prepayments, deposits and other receivables		8,410	6,865
Due from a Director		125	1,251
Pledged deposits	9	236	236
Cash and cash equivalents	9	49,533	33,937
Total current assets		<u>103,197</u>	<u>111,123</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	10	3,896	3,773
Other payables, deposits received and accruals		11,888	13,788
Due to a Director		422	—
Finance lease payables		—	52
Tax payable		5,252	6,997
Total current liabilities		<u>21,458</u>	<u>24,610</u>
<b>NET CURRENT ASSETS</b>		<u>81,739</u>	<u>86,513</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>94,411</u>	<u>99,568</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		472	472
<b>NET ASSETS</b>		<u>93,939</u>	<u>99,096</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Issued capital	11	75,635	75,635
Reserves		18,304	23,461
<b>TOTAL EQUITY</b>		<u>93,939</u>	<u>99,096</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2011

## Attributable to equity holders of the Company

	Issued capital HK\$'000	Share premium account HK\$'000	Statutory reserve fund HK\$'000	Foreign currency translation reserve HK\$'000	Share option reserve HK\$'000	Accu- mulated losses HK\$'000	Reserves sub-total HK\$'000	Total equity HK\$'000
At 1 April 2011 (Audited)	75,635	372,468	770	10,311	7,952	(368,040)	23,461	99,096
Total comprehensive income/(expense) for the period (Unaudited)	—	—	—	32	—	(5,605)	(5,573)	(5,573)
Share options issuance expenses (Unaudited)	—	(10)	—	—	—	—	(10)	(10)
Equity-settled share option arrangements (Unaudited)	—	—	—	—	426	—	426	426
Transfer of share option reserve on the forfeited share options (Unaudited)	—	—	—	—	(209)	209	—	—
At 30 September 2011 (Unaudited)	<u>75,635</u>	<u>372,458</u>	<u>770</u>	<u>10,343</u>	<u>8,169</u>	<u>(373,436)</u>	<u>18,304</u>	<u>93,939</u>
At 1 April 2010 (Audited)	75,295	371,932	53	8,163	7,368	(369,675)	17,841	93,136
Total comprehensive income/(expense) for the period (Unaudited)	—	—	—	1,189	—	(960)	229	229
Share options exercised (Unaudited)	310	276	—	—	—	—	276	586
Equity-settled share option arrangements (Unaudited)	—	—	—	—	718	—	718	718
Transfer of share option reserve on the exercised share options (Unaudited)	—	203	—	—	(203)	—	—	—
Transfer of share option reserve on the forfeited share options (Unaudited)	—	—	—	—	(1,004)	1,004	—	—
At 30 September 2010 (Unaudited)	<u>75,605</u>	<u>372,411</u>	<u>53</u>	<u>9,352</u>	<u>6,879</u>	<u>(369,631)</u>	<u>19,064</u>	<u>94,669</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**Six months ended 30 September 2011**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2011</b>	2010
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash flows from/(used in) operating activities	<b>15,993</b>	(20,272)
Net cash flows from/(used in) investing activities	<b>(353)</b>	3,122
Net cash flows from/(used in) financing activities	<u><b>(76)</b></u>	<u>517</u>
Net increase/(decrease) in cash and cash equivalents	<b>15,564</b>	(16,633)
Cash and cash equivalents at beginning of period	<b>33,937</b>	70,558
Effect of foreign exchange rate changes, net	<u><b>32</b></u>	<u>647</u>
Cash and cash equivalents at end of period	<u><b>49,533</b></u>	<u>54,572</u>
 <b>Analysis of cash and cash equivalents</b>		
Cash and bank balances	<b>45,993</b>	33,620
Non-pledged time deposits with original maturity of less than three months when acquired	<u><b>3,540</b></u>	<u>20,952</u>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<u><b>49,533</b></u>	<u>54,572</u>

Notes:

## **1. Basis of Preparation**

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

The accounting policies applied in the preparation of the unaudited condensed interim financial statements are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2011, except that in the current period, the Group has adopted a number of new and revised HKFRSs, which are effective for accounting period beginning on or after 1 April 2011. The adoption of these new and revised HKFRSs had no significant financial effect on the financial results for the current period. Accordingly, no significant change in accounting policies and no prior period adjustment is required.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective in the unaudited condensed interim financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, 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 results of operations and financial position.

The unaudited condensed interim financial statements have been reviewed by the audit committee of the Company.

## **2. Operating Segment Information**

The chief operating decision makers determined that the Group has only one single operating segment as the Group is principally engaged in wireless mobile value-added services and related business which is the basis to allocate resources and assess performance. No geographical information is presented as the Group's customers and operations are located in Mainland China.

### **Information about major customers**

During the six months ended 30 September 2011, revenues of approximately HK\$17,469,000 and HK\$13,340,000 were derived from services rendered to two customers. During the six months ended 30 September 2010, revenues of approximately HK\$17,645,000 and HK\$13,952,000 were also derived from services rendered to two customers.



### 3. Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of services rendered during the period.

### 4. Profit/(Loss) before Tax

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

	Six months ended		Three months ended	
	30 September		30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation	1,133	905	455	455
Minimum lease payments under operating leases:				
Land and buildings	1,344	2,992	654	1,526
Motor vehicles	—	120	—	61
Employee benefit expense	<u>16,182</u>	<u>16,010</u>	<u>7,266</u>	<u>8,305</u>

### 5. Income Tax

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

	Six months ended		Three months ended	
	30 September		30 September	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current — Elsewhere				
Charge/(credit) for the period	—	—	(708)	—
Deferred debited/(credited)	<u>(393)</u>	<u>2,230</u>	<u>(190)</u>	<u>455</u>
Total tax charge/(credit) for the period	<u>(393)</u>	<u>2,230</u>	<u>(898)</u>	<u>455</u>

## 6. Loss Per Share Attributable to Ordinary Equity Holders of the Company

The calculations of basic loss per share amount for the six months and three months ended 30 September 2011 were based on the loss for the period attributable to ordinary equity holders of the Company of HK\$5,605,000 (six months ended 30 September 2010: HK\$960,000) and HK\$5,885,000 (three months ended 30 September 2010: HK\$1,314,000) respectively, and the weighted average number of ordinary shares of 756,355,000 in issue for the six months ended 30 September 2011 (six months ended 30 September 2010: 755,637,514) and 756,355,000 in issue for the three months ended 30 September 2011 (three months ended 30 September 2010: 756,052,826).

The calculation of the diluted loss per share amount for the six months ended 30 September 2011 was based on the loss for this period attributable to ordinary equity holders of the Company of HK\$5,605,000. The weighted average number of ordinary shares of 757,594,030 used in this calculation was the weighted average number of ordinary shares in issue during the six months ended 30 September 2011 as used in the basic loss per share calculation, and the weighted average of 1,239,030 ordinary shares assumed to have been issued at no consideration on the deemed exercise of 3,300,000 dilutive share options during the period.

The calculation of the diluted loss per share amount for the three months ended 30 September 2011 was based on the loss for this period attributable to ordinary equity holders of the Company of HK\$5,885,000. The weighted average number of ordinary shares of 757,431,754 used in this calculation was the weighted average number of ordinary shares in issue during the three months ended 30 September 2011 as used in the basic loss per share calculation, and the weighted average of 1,076,754 ordinary shares assumed to have been issued at no consideration on the deemed exercise of 2,700,000 dilutive share options during the period.

No adjustment was made to the basic loss per share amounts presented for the six months and three months ended 30 September 2010 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

## 7. Property, Plant and Equipment

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

	<b>30 September 2011 HK\$'000 (Unaudited)</b>	31 March 2011 HK\$'000 (Audited)
Net book value, at beginning of period/year	4,527	4,778
Additions for the period/year	538	1,777
Disposals for the period/year	—	(22)
Write-off for the period/year	(66)	(37)
Depreciation for the period/year	(1,133)	(2,054)
Exchange realignment for the period/year	—	85
Net book value, at end of period/year	<u>3,866</u>	<u>4,527</u>

## 8. Trade Receivables

	<b>30 September 2011 HK\$'000 (Unaudited)</b>	31 March 2011 HK\$'000 (Audited)
Trade receivables	45,358	69,299
Impairment allowances	<u>(465)</u>	<u>(465)</u>
	<b><u>44,893</u></b>	<b><u>68,834</u></b>

The Group's trade receivables, which generally have credit terms of one month to three months pursuant to the provisions of the relevant contracts, are recognised and carried at the original invoice amount, and an estimate of impairment allowance for trade receivables is made and deducted when collection of the full amount is no longer probable. There is a significant concentration of credit risk as over 77% (31 March 2011: 51%) of the balance represented a receivable from one customer. Trade receivables are unsecured and non-interest-bearing.

An aging analysis of the Group's trade receivables, net of impairment and based on the month of services rendered, is as follows:

	<b>30 September 2011 HK\$'000 (Unaudited)</b>	31 March 2011 HK\$'000 (Audited)
Within 3 months	10,594	35,259
4 to 6 months	17,480	9,924
7 to 12 months	16,819	19,587
Over 12 months	<u>—</u>	<u>4,064</u>
	<b><u>44,893</u></b>	<b><u>68,834</u></b>

Included in the Group's trade receivables are receivables with an aggregate carrying amount of about HK\$37,810,000 (31 March 2011: HK\$50,507,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss as such receivables were mainly due from a well-known and sizeable telecom operator with good credit quality. Based on past experience, the Directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

## 9. Cash and Cash Equivalents and Pledged Deposits

	<b>30 September 2011 HK\$'000 (Unaudited)</b>	31 March 2011 HK\$'000 (Audited)
Cash and bank balances	45,993	30,397
Time deposits	<u>3,776</u>	<u>3,776</u>
	<b>49,769</b>	34,173
Less: Pledged time deposits in respect of banking facilities to the Group	<u>(236)</u>	<u>(236)</u>
Cash and cash equivalents	<u><b>49,533</b></u>	<u>33,937</u>

## 10. Trade Payables

An aged analysis of the trade payables as at the end of the reporting period, based on the month of services rendered, is as follows:

	<b>30 September 2011 HK\$'000 (Unaudited)</b>	31 March 2011 HK\$'000 (Audited)
Within 3 months	84	306
4 to 6 months	172	149
7 to 12 months	322	356
Over 12 months	<u>3,318</u>	<u>2,962</u>
	<u><b>3,896</b></u>	<u>3,773</u>

## 11. Share Capital

	<b>30 September 2011</b>		31 March 2011	
	Number of shares	HK\$'000 (Unaudited)	Number of shares	HK\$'000 (Audited)
<b>Authorised:</b>				
Ordinary shares of HK\$0.10 (31 March 2011: HK\$0.10) each	<u>2,500,000,000</u>	<u>250,000</u>	<u>2,500,000,000</u>	<u>250,000</u>
<b>Issued and fully paid:</b>				
Ordinary shares of HK\$0.10 (31 March 2011: HK\$0.10) each				
At beginning of period/year and at end of period/year	<u>756,355,000</u>	<u>75,635</u>	<u>756,355,000</u>	<u>75,635</u>

## 12. Commitments

### (a) Operating lease arrangements

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

At 30 September 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September 2011 HK\$'000 (Unaudited)</b>	31 March 2011 HK\$'000 (Audited)
Within one year	<b>2,193</b>	2,163
In the second to fifth years, inclusive	<u><b>1,314</b></u>	<u>2,678</u>
	<u><b>3,507</b></u>	<u>4,841</u>

### (b) Capital commitments

The Group had no significant capital commitment at the end of the reporting period (31 March 2011: Nil).

## INTERIM DIVIDEND

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

Following the stringent controls and restrictions brought forward by the mobile telecommunication operators in recent years, the mobile value-added services (“MVAS”) industry remained highly competitive. Although we are developing diversified products and services in order to capture more users, we are unavoidably affected by the market sentiment.

During the first half of the year 2011 (“2011 Interim Period”), the Group recorded consolidated revenue of about HK\$39.3 million, representing a slight growth of about 5.9% compared to that of about HK\$37.1 million during the same period in the year 2010 (“2010 Interim Period”). In July 2011, the Group’s cooperation agreement (the “Cooperation Agreement”) with a subsidiary of China Mobile Limited (“China Mobile”) in respect of music search services was expired and the Group is actively seeking renewal of the Cooperation Agreement. The growth in revenue in 2011 Interim Period was mainly due to increase in revenue generated from MVAS co-operations with other business partners and new products/services. Given the tightening business environment in the MVAS market continues and the possibility that terms of the renewed Cooperation Agreement is not as favourable as the previous one, the results of the Group may be adversely affected.

Cost of sales and gross profit in the first half of 2011 was about HK\$14.8 million (2010: HK\$7.0 million) and about HK\$24.6 million (2010: HK\$30.1 million), respectively, representing an increase of about 111.4% and a decrease of about 18.3%, respectively. The higher cost of sales during the 2011 Interim Period than the 2010 Interim Period was mainly due to realignment of service mix as mentioned above and higher exploration costs of new products/services.

Overall operating expenses including selling, administrative and other expenses for the six months ended 30 September 2011 amounted to about HK\$31.0 million, increased by HK\$1.2 million or 4.0% compared to about HK\$29.8 million in the same period of last year. Selling expenses amounted to about HK\$7.3 million, representing a decrease by about HK\$2.2 million as compared to the corresponding period in 2010 of about HK\$9.5 million. The decrease was due to the decrease in staff costs of selling department as a result of fine-tuning of the sales teams.

Administrative expenses for the six months ended 30 September 2011 amounted to about HK\$21.3 million, represented an increase of about HK\$2.5 million as compared to the corresponding period in 2010 of about HK\$18.8 million. The increase was mainly due to increase in administrative staff costs such as severance payment and business development costs, which is partly offset by the decrease in rental expenses. Other expenses for the six months ended 30 September 2011 amounted to about HK\$2.4 million, representing an increase of about HK\$0.9 million as compared to the corresponding period in 2010 of about HK\$1.5 million. The increase was due to increase in staff cost of research and development.

Other income and gains decreased by about HK\$0.4 million to about HK\$0.5 million for the six months ended 30 September 2011 from about HK\$0.9 million for the corresponding period in 2010. The decrease was mainly due to decrease in fair value gain adjustment for investment properties.

Due to a combination of the effects stated above, loss for the six months ended 30 September 2011 attributable to equity holders of the Company increased to about HK\$5.6 million in the 2011 Interim Period under review as compared with about HK\$1.0 million in corresponding period in 2010.

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

As at 30 September 2011, the total equity of the Group amounted to about HK\$93.9 million (31 March 2011: HK\$99.1 million) and the Group's net current assets amount to about HK\$81.7 million (31 March 2011: HK\$86.5 million). The current ratio, which is calculated by dividing current assets by current liabilities as at 30 September 2011 was 4.8 (31 March 2011: 4.5).

The Group had cash and cash equivalents of HK\$49.5 million as at 30 September 2011 (31 March 2011: HK\$33.9 million). During the period under review, the Group financed its operations mainly with its revenue from operating activities and the increase in cash and cash equivalents is mainly due to inflow from collection from customers. The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise costs of funds, the Group's treasury activities are centralized and cash is generally placed on deposits, denominated mostly in Renminbi and Hong Kong dollars. The Group has kept low level of borrowings. During the quarter ended 30 September 2011, all borrowings were repaid. As at 31 March 2011, the gearing ratio of the Group (total borrowings over total equity) was 0.05% and all such borrowing was due within one year. The borrowing requirements are consistent throughout the year.

## **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 six-month period under review.

## **Significant Investments**

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 PRC, at a cash consideration of RMB300,000. The acquisition was completed in the six months ended 30 September 2011.

## **Foreign Currency Exchange Exposure and Treasury Policies**

As most of the Group's trading transactions, monetary assets and liabilities are denominated in Renminbi and Hong Kong dollars, the impact of the foreign exchange exposure of the Group was minimal and there was no significant adverse effect on the normal operations. As at 30 September 2011, no hedges were made by the Group (31 March 2011: Nil).

## **Contingent Liabilities**

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

## **Employees and Remuneration Policy**

As at 30 September 2011, the Group had a total of 120 employees (31 March 2011: 124). Details of remuneration are set out in note 4 to unaudited consolidated income statement. The Group's remuneration policy is basically determined by the performance of individual employees and directors and the market condition. In addition to salaries and discretionary bonuses, employee benefits included medical schemes, pension contributions, share option schemes and staff training.

## **Business Review and Outlook**

During the second quarter of 2011, the Group was negatively affected by certain policies implemented by the operators, resulting in a substantial decline in income from the wireless music search business. The Cooperation Agreement (cooperation period upto 5 July 2011) entered into by the Group and Sichuan Mobile Communication Company Limited (“Sichuan Mobile”), a subsidiary of China Mobile with respect to the provision of operational support for the wireless music search has expired on 5 July 2011. The Group and Sichuan Mobile are now preliminarily discussing in a new mode of cooperation for the wireless music search business. The new business mode under discussion is to charge China Mobile a fixed supporting charge with reference to the number of supportive personnel that the Group provides for the wireless music search business and the Group may no longer be entitled to share the income from wireless music search business.

During this quarter, the Group maintained a steady growth in the new business, the accumulated increase in the number of users of its provision of entertainment information and game business was over 15 million and 100,000 respectively. Additionally, we have entered into detailed cooperation agreements with a number of provincial level operators of China Mobile in various provinces and rolled out our close collaboration in music projects with an aim of providing more personalized music services to our users. Such project has already secured almost 100 million new users.

Under the effects of the operator’s policies, the management anticipates that the income of the Group will continue to decrease. The wireless value-added business is under a difficult operational environment in particular, telecom operators will continue to strengthen their control on industry players in the value-added business, and set additional restrictions policies with negative impact, especially the drastic adjustment made by China Mobile on the terms of the Cooperation Agreement concerning the cooperation in value-added business. This is expected to bring about changes in the mode of cooperation as well as business terms. To minimize the adverse impact caused by the new mode of business cooperation on our operation, the Group will further communicate with China Mobile about the terms for the cooperation in wireless music search business.

The Group will continue to expand the scope of business proactively in the third quarter of 2011. We will focus on developing comprehensive personal digital entertainment services and endeavor to increase the number of users of non-music entertainment services as well as income from these services. The Group will also put emphasis on increasing the income from game business and the number of users of personal music application, and continue our efforts in expanding our market share in the wireless music search market to maintain our leading market position in the paid wireless music search market.

Going forward, the Group will continue to accelerate business transformation and focus on strengthening the development of new business. At the same time, we will accommodate ourselves to the changes in industrial policies and trend of development. For the existing traditional business, the Group will further enhance our marketing cooperation with China Mobile, in order to promote our operation to a sophisticated level. The Group will exploit more resources for music business with an aim to maintaining and consolidating our leading market position in the wireless music market.



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

As at 30 September 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 September 2011.

## **SHARE OPTION SCHEMES**

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. The Company's original share option scheme was approved by the shareholders on 7 March 2000 (the "2000 Scheme"), and was terminated and replaced by a share option scheme approved by the shareholders on 9 April 2002 (the "2002 Scheme"). The 2002 Scheme was terminated and replaced by a new share option scheme approved by the shareholders on 5 August 2011 (the "New Scheme").

A summary of the share option schemes is set out below:

### **(a) 2000 Scheme**

The 2000 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, and was replaced by the 2002 Scheme adopted by Shareholders on 9 April 2002. Eligible participants of the 2000 Scheme include the Company's Directors and employees of the Group. Under the 2000 Scheme, the Board was authorised, at its absolute discretion, to grant options to the Company's Directors and employees of the Group to subscribe for ordinary shares of the Company. The exercise period of the options granted is determinable by the Directors, and commences after a 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 options granted under the 2000 Scheme, which were not exercised or terminated or expired previously, became expired on 21 August 2011.

### **(b) 2002 Scheme**

The 2002 Scheme became effective for a period of 10 years commencing on 23 April 2002. Eligible participants of the 2002 Scheme include all Directors and employees of the Group, suppliers, customers, consultants who provided services to the Group, shareholders of the subsidiaries of the Group and joint venture partners. Under the 2002 Scheme, the Directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company. The exercise period of the options granted is determinable by the Directors, and commences after a 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 2002 Scheme was terminated and replaced by the New Scheme with effect from 5 August 2011. The options granted under the 2002 Scheme remain exercisable within their respective exercise periods.

**(c) New Scheme**

At the annual general meeting of the Company held on 5 August 2011 (the “2011 AGM”), an ordinary resolution was passed by the shareholders to approve and adopt the New Scheme in place of the 2002 Scheme.

The New Scheme became effective for a period of 10 years commencing on 10 August 2011. Eligible participants of the New Scheme include all Directors and employees of the Group, suppliers, customers, consultants who provided services to the Group, shareholders of the subsidiaries of the Group and joint venture partners. Under the New Scheme, the Directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company at the highest of (i) the closing price of shares of the Company on GEM as stated in the Exchange’s daily quotations sheet for trade in one or more board lots of the shares of the Company on the date of the offer of grant; (ii) the average closing price of the shares of the Company on GEM as stated in the Exchange’s daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Company’s share. The offer of a grant of options may be accepted within 21 days from the date of the offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. The exercise period of the options granted is determinable by the Directors, and commences after the date of offer 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 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 2011 AGM.

The maximum number of shares to be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the relevant class of shares of the Company in issue from time to time.

## Options to subscribe for shares of the Company under the 2000 Scheme

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

Name or category of participant	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 September 2011			
<b>Directors</b>							
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
	<u>11,600,000</u>	<u>—</u>	<u>(11,600,000)</u>	<u>—</u>			
<b>Other employees of the Group</b>							
In aggregate	13,465,000	—	(13,465,000)	—	22 August 2001	22 August 2001 to 21 August 2011	0.40
	<u>25,065,000</u>	<u>—</u>	<u>(25,065,000)</u>	<u>—</u>			

## Options to subscribe for shares of the Company under the 2002 Scheme

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

Name or category of participant	Number of share options				At 30 September 2011	Date of share options granted*	Exercise period of share options granted	Exercise price of share options granted** HK\$ per share
	At 1 April 2011	Granted during the period	Exercised during the period	Lapsed during the period				
<b>Director</b>								
Ms. Li Luyi	4,000,000	—	—	—	4,000,000	9 February 2010	9 February 2010 to 8 February 2020	0.660
	2,500,000	—	—	—	2,500,000	23 November 2010	23 November 2010 to 22 November 2020	0.270
	<u>6,500,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,500,000</u>			
<b>Other employees of the Group</b>								
In aggregate	250,000	—	—	—	250,000	22 May 2002	22 May 2002 to 21 May 2012	0.260
In aggregate	100,000	—	—	—	100,000	26 March 2004	26 March 2004 to 25 March 2014	0.100
In aggregate	700,000	—	—	—	700,000	10 May 2006	10 May 2006 to 9 May 2016	0.170
In aggregate	2,000,000	—	—	—	2,000,000	3 April 2008	3 April 2008 to 2 April 2018	0.410
In aggregate	3,410,000	—	—	(1,040,000)	2,370,000	9 February 2010	9 February 2010 to 8 February 2020	0.660
In aggregate	500,000	—	—	—	500,000	11 March 2010	11 March 2010 to 10 March 2020	0.610
In aggregate	2,500,000	—	—	(200,000)	2,300,000	23 November 2010	23 November 2010 to 22 November 2020	0.270

Name or category of participant	Number of share options				At 30 September 2011	Date of share options granted*	Exercise period of share options granted	Exercise price of share options granted** HK\$ per share
	At 1 April 2011	Granted during the period	Exercised during the period	Lapsed during the period				
<b>Others</b>								
In aggregate	200,000	—	—	—	200,000	26 March 2004	26 March 2004 to 25 March 2014	0.100
In aggregate	2,000,000	—	—	—	2,000,000	24 June 2005	24 June 2005 to 23 June 2015	0.100
In aggregate	1,000,000	—	—	—	1,000,000	29 June 2006	29 June 2006 to 28 June 2016	0.380
In aggregate	2,000,000	—	—	—	2,000,000	2 January 2008	2 January 2008 to 1 January 2018	0.600
In aggregate	5,000,000	—	—	—	5,000,000	6 July 2007	1 October 2008 to 5 July 2017	0.396
In aggregate	7,200,000	—	—	—	7,200,000	3 April 2008	3 April 2008 to 2 April 2018	0.410
In aggregate	200,000	—	—	—	200,000	3 June 2008	3 June 2008 to 2 June 2018	0.417
	<u>33,560,000</u>	<u>—</u>	<u>—</u>	<u>(1,240,000)</u>	<u>32,320,000</u>			

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

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

As at 30 September 2011, the Company had outstanding options to subscribe for up to 32,320,000 shares under the 2002 Scheme and no options were granted under the New Scheme.

Save as disclosed above, as at 30 September 2011, 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 September 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	297,095,619	39.28%
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 and 114,851,701 shares of the Company as the beneficial owner of Century. He is also personally interested in 561,000 shares of the Company.
- (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, and 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 September 2011.

Save as disclosed above, as at 30 September 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 controlling shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) have any interests in a business which competes or may compete with the business of the Group, or has any other conflict of interest with the Group during the period under review.

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

During the six months ended 30 September 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 six months ended 30 September 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 ("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, 7 November 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](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).*