



# 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 2011

### 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.

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\* For identification purpose only

## HIGHLIGHTS

- Revenue of the Group for the nine months ended 31 December 2011 amounted to about HK\$54,607,000, representing a 9% decrease as compared to the corresponding period in the previous financial year.
- The Group's gross profit was about HK\$31,054,000, decrease by about HK\$16,217,000 compared with the same period of last year.
- Loss attributable to equity holders of the Company for the nine months ended 31 December 2011 amounted to about HK\$13,258,000, which represented an increase in loss of about HK\$14,386,000 compared with the profit made for the same period of 2010.
- The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 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 nine months and three months ended 31 December 2011 together with the unaudited comparative figures for the corresponding periods in 2010 as follows:

	Notes	Nine months ended 31 December		Three months ended 31 December	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
<b>Revenue</b>	2	<b>54,607</b>	59,773	<b>15,275</b>	22,676
Cost of sales		<u>(23,553)</u>	<u>(12,502)</u>	<u>(8,791)</u>	<u>(5,542)</u>
Gross profit		<b>31,054</b>	47,271	<b>6,484</b>	17,134
Other income and gains		<b>848</b>	1,298	<b>394</b>	378
Selling expenses		<b>(9,482)</b>	(13,701)	<b>(2,187)</b>	(4,235)
Administrative expenses		<b>(32,502)</b>	(28,321)	<b>(11,199)</b>	(9,555)
Other expenses		<b>(3,634)</b>	(2,489)	<b>(1,224)</b>	(943)
Finance costs		<u>(114)</u>	<u>(12)</u>	<u>(100)</u>	<u>(3)</u>
<b>Profit/(loss) before tax</b>		<b>(13,830)</b>	4,046	<b>(7,832)</b>	2,776
Income tax expense	3	<u>572</u>	<u>(2,918)</u>	<u>179</u>	<u>(688)</u>
<b>Profit/(loss) for the period attributable to equity holders of the Company</b>		<u><b>(13,258)</b></u>	<u>1,128</u>	<u><b>(7,653)</b></u>	<u>2,088</u>
<b>Earnings/(loss) per share attributable to ordinary equity holders of the Company</b>	4				
Basic		<u><b>HK(1.8) cents</b></u>	<u>HK0.1 cents</u>	<u><b>HK(1.0) cents</b></u>	<u>HK0.3 cents</u>
Diluted		<u><b>HK(1.8) cents</b></u>	<u>HK0.1 cents</u>	<u><b>HK(1.0) cents</b></u>	<u>HK0.3 cents</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Nine months and three months ended 31 December 2011**

	Nine months ended		Three months ended	
	31 December		31 December	
	2011	2010	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Profit/(loss) for the period</b>	<b>(13,258)</b>	1,128	<b>(7,653)</b>	2,088
<b>Other comprehensive income</b>				
Exchange differences on translation of foreign operations	<u>32</u>	<u>2,186</u>	<u>—</u>	<u>997</u>
<b>Total comprehensive income/(expense) for the period</b>	<b><u>(13,226)</u></b>	<b><u>3,314</u></b>	<b><u>(7,653)</u></b>	<b><u>3,085</u></b>

Notes:

## 1. Basis of Preparation

The Group's unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) 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 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, except that the Group has adopted a number of new and revised HKFRSs, which are newly effective for the period under review. 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 preparation of 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 results 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 for as the Group did not generate any assessable profits arising in Hong Kong for the nine months and three months ended 31 December 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.

	Nine months ended		Three months ended	
	31 December		31 December	
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current — Elsewhere				
Charge for the period	6	275	6	275
Deferred debited/(credited)	(578)	2,643	(185)	413
Total tax charge/(credit) for the period	<u>(572)</u>	<u>2,918</u>	<u>(179)</u>	<u>688</u>

#### 4. Earnings/(Loss) Per Share Attributable to Ordinary Equity Holders of the Company

The calculations of basic loss per share for the nine months and three months ended 31 December 2011 were based on the loss for the period attributable to ordinary equity holders of the Company of HK\$13,258,000 (nine months ended 31 December 2010: profit of HK\$1,128,000) and HK\$7,653,000 (three months ended 31 December 2010: profit of HK\$2,088,000) respectively, and the weighted average number of ordinary shares of 756,355,000 for the nine months ended 31 December 2011 (nine months ended 31 December 2010: 755,777,182) and 756,355,000 for the three months ended 31 December 2011 (three months ended 31 December 2010: 756,055,000) in issue during the periods.

The calculations of diluted loss per share for the nine months and three months ended 31 December 2011 were based on the loss for the period attributable to ordinary equity holders of the Company of HK\$13,258,000 (nine months ended 31 December 2010: profit of HK\$1,128,000) and HK\$7,653,000 (three months ended 31 December 2010: profit of HK\$2,088,000) respectively. The weighted average number of ordinary shares of 757,394,326 (nine months ended 31 December 2010: 758,357,521) and 757,077,858 (three months ended 31 December 2010: 758,034,215) respectively used in these calculations were the weighted average number of ordinary shares in issue during the periods as used in the basic loss per share calculations, and the weighted average number of 1,039,326 (nine months ended 31 December 2010: 2,580,339) and 722,858 (three months ended 31 December 2010: 1,979,215) ordinary shares, respectively, assumed to have been issued at no consideration on the deemed exercise of 3,000,000 (2010: 8,550,000) dilutive share options for the nine months ended 31 December 2011 and 2,300,000 (2010: 8,550,000) dilutive share options for the three months ended 31 December 2011.

#### 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/(expense) for the period (Unaudited)	—	—	32	—	(13,258)	(13,226)
Share options issuance expenses (Unaudited)	(10)	—	—	—	—	(10)
Equity-settled share option arrangements (Unaudited)	—	—	—	676	—	676
Transfer of share option reserve on the forfeited share options (Unaudited)	—	—	—	(1,038)	1,038	—
At 31 December 2011 (Unaudited)	<u>372,458</u>	<u>770</u>	<u>10,343</u>	<u>7,590</u>	<u>(380,260)</u>	<u>10,901</u>
At 1 April 2010 (Audited)	371,932	53	8,163	7,368	(369,675)	17,841
Total comprehensive income for the period (Unaudited)	—	—	2,186	—	1,128	3,314
Share option exercised (Unaudited)	276	—	—	—	—	276
Equity-settled share option arrangements (Unaudited)	—	—	—	1,440	—	1,440
Transfer of share option reserve on the exercised share options (Unaudited)	203	—	—	(203)	—	—
Transfer of share option reserve on the forfeited share options (Unaudited)	—	—	—	(1,050)	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>

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2011 (2010: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

The consolidated turnover for the nine months ended 31 December 2011 was about HK\$54.6 million, representing a decrease of about HK\$5.2 million or 9% as compared with the same period last year. The consolidated revenue for the three months ended 31 December 2011 also showed a decrease of 33%, from about HK\$22.7 million last year to about HK\$15.3 million.

During the quarter under review, the Group continues to uphold its strategy of providing full-ranged wireless entertainment services. Amongst the services provided by the Group, mobile value-added service (“MVAS”) remained one of our major income contributors. MVAS industry has been impacted by the stringent policies imposed by major telecommunication operators. During the quarter under review, though we are still providing the relevant services, as the renewal of the cooperation agreement (the “Cooperation Agreement”) with China Mobile Limited (“China Mobile”) Group in respect of music search services (which expired in July 2011) was not concluded, no revenue in respect of the above-said service was recorded since such expiry and the Group’s revenue for the nine months ended 31 December 2011 decreased as a result. In response to the difficult operating environment, the Group has extended its services to other MVAS co-operation partners. Revenue from these services has alleviated the negative impact brought about by the stringent policies. During the period under review, we have expanded our business scope into certain new wireless businesses. These new businesses, such as games, commence to generate revenue since beginning of this year, they report encouraging progress.

Since the business with other MVAS co-operation partners and new businesses required higher costs of sales, resulted in a lower gross profit margin. The consolidated gross profit for the nine months and three months ended 31 December 2011 was about HK\$31.1 million and HK\$6.5 million, respectively, representing decreases of 34% and 62% respectively as compared with that in the same periods last year.

During the nine-month period, selling expenses decreased by 31% from about HK\$13.7 million last year to about HK\$9.5 million for the period ended 31 December 2011. The decrease was mainly caused by the fine-tuning of the sales teams. On the other hand, the administrative expenses in the nine-month period of 2011 were increased by 15% to about HK\$32.5 million when compared with the nine-month period in 2010 as a result of the increase in administrative staff costs and business development costs. The other expenses for the nine-month period in 2011 were increased by 46% to about HK\$3.6 million due to the expansion of the Group’s research and development team during the said period. The three-month period’s expenses also demonstrated the same trends.

Other income and gains decreased by about HK\$0.5 million to about HK\$0.8 million for the nine-month period ended 31 December 2011, and increased by about HK\$16,000 to about HK\$0.4 million for the three-month period ended 31 December 2011. The decrease in the nine-month period ended 31

December 2011 as compared with the same period last year was mainly due to the decrease in fair value gain adjustment in investment properties. The slight increase in the three-month period ended 31 December 2011 as compared with same period last year was mainly due to the increase in interest income.

As a result of the combination effect of the above, the Group's net loss from ordinary activities attributable to shareholders for the nine-month period in 2011 amounted to about HK\$13.3 million, representing an increase in loss of about HK\$14.4 million as compared to the corresponding period in last year.

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

The Group adopts a prudent cash and financial management policy. As at 31 December 2011, the Group has maintained a stable financial position with total equity of about HK\$86.5 million (31 March 2011: HK\$99.1 million) and net current assets of about HK\$73.8 million (31 March 2011: HK\$86.5 million). As of 31 December 2011, the current ratio (current assets over current liabilities) was 4.2 (31 March 2011: 4.5). The reduction was mainly due to decrease in revenue.

In order to achieve a better cost control and minimize the cost of funds, the Group's treasury activities are centralized and cash is generally deposited with banks, denominated mostly in Renminbi and Hong Kong dollars. As at 31 December 2011, cash and cash equivalents was about HK\$55.9 million (31 March 2011: HK\$33.9 million). The increases in the cash and cash equivalents were due to collection of accounts receivable during the period.

During the period under review, the Group financed its operations mainly with its cashflow from operations and its cash and bank balances and thus remained a low gearing level. During the period under review, all bank borrowings were repaid. As at 31 March 2011, the gearing ratio of the Group (total borrowings over total equity) was 0.05% and all borrowings are due within one year and denominated mostly in Hong Kong dollars at a fixed interest rate. The borrowing requirements are consistent throughout the year.

### **Capital Structure**

The ordinary shares of the Company were listed on GEM on 28 March 2000. There was no change of the Company's capital structure during the nine-month period under review.

### **Significant Investment**

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 principal activities of this company are mainly related to games. The acquisition was completed in the nine months ended 31 December 2011.



## **Business Review and Outlook**

During the third quarter of 2011/2012, the Group continued to develop a new business strategy, namely to provide diversified wireless entertainment services. Moreover, we made a significant progress in expanding a new business line; meanwhile, the number of users of wireless game service and personal entertainment information service showed an ascendant trend.

The Cooperation Agreement signed by the Group and Sichuan Mobile Communication Company Limited (“Sichuan Mobile”), a subsidiary of China Mobile in respect of the provision of operational support for the wireless music search for China Mobile has expired in July 2011. Following the expiry of the Cooperation Agreement, as China Mobile Group is the course of making internal adjustments on the policies of the operational support, the Group is still negotiating with Sichuan Mobile on a renewed Cooperation Agreement. It is expected that under the new business model, Sichuan Mobile may pay a fixed supporting charge with reference to the size of supportive team that the Group provides for the wireless music search business, and the Group may no longer be entitled to share the income from the wireless music search business. The Group will further discuss with Sichuan Mobile in order to mitigate the adverse impact on the business of the Group that may be caused by the modification of the business model.

During the quarter under review, revenue from the detailed cooperation projects with an aim of providing wireless music search services entered into by the Group and a number of provincial level operators of China Mobile in various provinces (save for the Cooperation Agreement) showed a growth. Moreover, such projects enabled us to venture into the market of the provincial level operators by providing a more personalized music services to the end users. With the contribution of such projects, the total number of end users utilising the said service was over 100 million.

The user base and the revenue of the new business maintained a sustained growth. Furthermore, the accumulated increase in the number of users of the entertainment information and game business was over 30 million and 0.45 million respectively. During this quarter, the number of users of traditional wireless music search business of the Group also kept a continuous growth with 44.92 million new users and the accumulated number of users has surpassed 368 million.

Going forward, the Group will continue to accelerate its strategic transformation to develop diversified wireless entertainment services. We will focus on the wireless music search services, and a step further, we will open up wireless game services, reading services and provision of personal entertainment information services. Moreover, we will launch a set of internet services for the new wireless entertainment services. In the meantime, the Group will further enhance the in-depth operational marketing cooperation with China Mobile in order to maintain our leading industrial position in the wireless music market. In general, we are fully confident of the future development of our diversified wireless entertainment services.

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

As at 31 December 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**

<b>Name of Director</b>	<b>Notes</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares</b>	<b>Percentage of the Company's issued share capital</b> 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 31 December 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. 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 of the Company 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.

The following Directors were granted share options under the 2000 Scheme (which were all lapsed as at 31 December 2011) 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 31 December 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
	<u>11,600,000</u>	<u>—</u>	<u>(11,600,000)</u>	<u>—</u>			

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 31 December 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
	<u>6,500,000</u>	<u>—</u>	<u>—</u>	<u>6,500,000</u>			

As at 31 December 2011, the Company had outstanding options to subscribe for up to 30,290,000 shares of the Company under the 2002 Scheme and no options were granted under the New Scheme.

Save as disclosed above, as at 31 December 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 31 December 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 31 December 2011.

Save as disclosed above, as at 31 December 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 nine months ended 31 December 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 nine months ended 31 December 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, 6 February 2012

*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).*