



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 2012

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 traded 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 2012 amounted to about HK\$21.8 million, representing a 15.1% decrease as compared to the corresponding period in the previous financial year.
- The Group's gross profit for the three months ended 30 June 2012 was about HK\$13.3 million, decreased by 25.2% compared with the same period of last year.
- Loss attributable to equity holders of the Company for the three months ended 30 June 2012 amounted to about HK\$1.6 million, as compared to a profit of about HK\$0.3 million for the same period of 2011.
- The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2012.

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 2012 together with the comparative unaudited figures for the corresponding period in 2011 as follows:

		Three months ended 30 June	
	Notes	2012	2011
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	2	21,769	25,648
Cost of sales		<u>(8,492)</u>	<u>(7,893)</u>
Gross profit		13,277	17,755
Other income and gains		609	123
Selling expenses		(1,883)	(4,312)
Administrative expenses		(12,326)	(11,662)
Other expenses		(1,409)	(1,118)
Finance costs		<u>(20)</u>	<u>(1)</u>
(Loss)/profit before tax		(1,752)	785
Income tax expense	3	<u>135</u>	<u>(505)</u>
(Loss)/profit for the period attributable to equity holders of the Company		(1,617)	280
Other comprehensive income			
Exchange differences on translation of foreign operations		<u>—</u>	<u>32</u>
Total comprehensive (expenses)/income for the period		<u>(1,617)</u>	<u>312</u>
(Loss)/earnings per share attributable to equity holders of the Company			
	4		
Basic		<u>HK(0.21) cent</u>	<u>HK0.04 cent</u>
Diluted		<u>N/A</u>	<u>HK0.04 cent</u>

Notes:

1. Basis of Preparation

The Group's unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (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 and the disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost convention, except for investment property, which has been measured at fair value. These unaudited consolidated results are presented in Hong Kong dollars 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 2012, 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 early 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 any 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 periods.

3. Income Tax Expense

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 2012 (2011: 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	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current — Elsewhere		
Charge for the period	—	(708)
Deferred	<u>135</u>	<u>203</u>
Total tax credit/(charge) for the period	<u><u>135</u></u>	<u><u>(505)</u></u>

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

The calculation of basic (loss)/earnings per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company of about HK\$1,617,000 (for the three months ended 30 June 2011: profit about HK\$280,000), and the weighted average number of ordinary shares of 756,355,000 (Three months ended 30 June 2011: 756,355,000) in issue during the period.

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 30 June 2012.

The calculation of the diluted earnings per share amount for the three months ended 30 June 2011 was based on the profit for that period attributable to ordinary equity holders of the Company of about 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 three months ended 30 June 2011 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 share options with dilutive effect that entitled the grantees to subscribe for a total up to 3,000,000 ordinary shares during the period ended 30 June 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 2012 (audited)	372,468	3,349	13,612	7,757	(395,056)	2,130
Loss for the period (unaudited)	—	—	—	—	(1,617)	(1,617)
Total comprehensive expense for the period (unaudited)	—	—	—	—	(1,617)	(1,617)
Equity-settled share option arrangements (unaudited)	—	—	—	46	—	46
Transfer of share option reserve on the forfeited share options (unaudited)	—	—	—	(237)	237	—
At 30 June 2012 (unaudited)	<u>372,468</u>	<u>3,349</u>	<u>13,612</u>	<u>7,566</u>	<u>(396,436)</u>	<u>559</u>
At 1 April 2011 (audited)	372,468	770	10,311	7,952	(368,040)	23,461
Profit for the period (unaudited)	—	—	—	—	280	280
Other comprehensive income for the period: Exchange differences on translation of foreign operations (unaudited)	—	—	32	—	—	32
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>

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the three months ended 30 June 2012 (2011: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue of the Group for the three months ended 30 June 2012 amounted to about HK\$21.8 million, representing a decrease of about 15.1% as compared to that of about HK\$25.6 million for the three months ended 30 June 2011. The loss attributable to equity holders of the Company for the first quarter of 2012 amounted to about HK\$1.6 million, as compared to the profit attributable to equity holders of the Company amounted to about HK\$0.3 million for the same period last year.

Revenue for the period under review decreased mainly due to the decrease in the revenue brought in by the provision of wireless music search services via the network of China Mobile Limited (“China Mobile”).

As mentioned in our previous financial reports and announcements, China Mobile has just finished its review on the pricing model of wireless music search services with the Group. Pursuant to the service agreement (“Service Agreement”) signed in early July 2012, the Group agreed with China Mobile on a new charging model regarding the Group’s operational support services provided to China Mobile for the period from July 2011 to July 2012, and during the said period the Group would charge China Mobile a fixed operational support service fee (subject to adjustment) for its services rendered. Due to the change in charging model, the income recorded as a result of the signing of the Service Agreement was lower than that from the prior contract for the same period of last year.

During the period under review, the Group’s targeted in developing new products and services to widen its income base and to cope with changes in technology and market conditions. As a result, the Group’s cost of sales for the period under review increased to about HK\$8.5 million, representing an increase of about HK\$0.6 million compared to that of about HK\$7.9 million for the corresponding period in 2011.

In the current period, the Group attained gross profit of about HK\$13.3 million, representing a decrease by 25.2% compared with the same period last year. The decrease was mainly due to the decrease in the Group’s revenue and lower profit margin of new services and products.

Overall operating expenses including selling, administrative and other expenses, totally amounted to about HK\$15.6 million for the three months ended 30 June 2012, representing a decrease of 8.6% as compared to that of about HK\$17.1 million for same period in 2011. Selling expenses amounted to about HK\$1.9 million for the current period under review, which was decreased by 56.3% compared to that of about HK\$4.3 million in first quarter of 2011. The decrease was mainly due to the fact that the Group has tightened its cost control and budget over promotional marketing activities due to the change in revenue mix mentioned above. Administrative expenses has increased from about HK\$11.7 million in first quarter of 2011 to about HK\$12.3 million in this quarter, representing an increase of about 5.7%. The increase was mainly due to the increase in business development costs. Other expenses represented cost of research and development and expenses of other non-operating activities. Other

expenses increased by about 26.0% to about HK\$1.4 million in the first quarter of 2012 which was mainly due to the increase in non-operating staff costs for continuous product development and service enhancement.

Other income and gains increased by about HK\$0.5 million from about HK\$0.1 million in the first quarter of last year to about HK\$0.6 million for the current period mainly due to increase in interest income for the first quarter of 2012. In addition, there is also increase in fair value adjustment on the value of investment property in this quarter.

Due to a combination of the effect stated above, the Group incurred a loss attributable to equity holders of the Group of about HK\$1.6 million in period under review, compared to a profit of about HK\$0.3 million in first quarter of last year.

Financial Position, Liquidity, Financial Resources and Gearing Ratio

As at 30 June 2012, the total equity of the Group amounted to about HK\$76.2 million (31 March 2012: HK\$77.8 million) and the Group's net current assets amount to about HK\$66.6 million (31 March 2012: HK\$67.9 million). The current ratio, which is calculated by dividing current assets to current liabilities as at 30 June 2012 was 3.9 (31 March 2012: 3.9). The slight decrease in the total equity and net current assets was mainly due to the loss incurred during the period under review.

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 2012, cash and cash equivalents amounted to about HK\$58.4 million, representing a decrease of about HK\$8.7 million from that as at 31 March 2012 of about HK\$67.1 million. During the period under review, the Group financed its operations mainly with its revenue from operations. As at 30 June 2012 and 31 March 2012, the Group did not have any outstanding borrowings.

Events after the Reporting Period

The Service Agreement between the Group and a subsidiary of China Mobile for operational support services provided by the Group to China Mobile in respect of wireless music search services for the period from July 2011 to July 2012 was signed on 6 July 2012.

Significant Investments and Disposal

There were no material acquisitions or disposals of subsidiaries by the Company during the period under review.

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 2012, no related hedges were made by the Group (31 March 2012: nil).

Contingent Liabilities

As at 30 June 2012, the Group had no material contingent liabilities (31 March 2012: nil).

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.

Business Review and Outlook

Leveraging on the global boom of smart phones, the Group continued to expand its presence in the wireless music business of smart phones during this quarter. Through improving our products and satisfying the users' dynamic music demand, the Group have furtherly attracted more users and optimized their experience. With the efforts made during this quarter, the Group's service has covered wireless internet, Android platform and iOS platform, and the Group have successfully developed a total solution for satisfying the music demand of users:

1. Searching — To provide search function for users based on short message service, keywords and music fingerprint technique.
2. Discovering — To deliver users with personalized music by memorization of their preferences and tastes as well as music relevance analysis.
3. Socializing — To share the music-related activities with other users in the same city, location and social circle.
4. Interacting — To extend users' experience beyond music enjoyment by providing them with music-related information, interaction and games.

Meanwhile, as an important partner of China Mobile in its wireless music business, the Group entered into the Service Agreement with a subsidiary of China Mobile in July 2012. Pursuant to the Service Agreement, the Group provided operational support services in respect of wireless music search to China Mobile from July 2011 to July 2012 during the period of which a fixed operating fee was charged. Subsequent to the period covered by the Service Agreement and up to date of this announcement, the Group continues to deliver the wireless music search service to China Mobile. The Group is currently under negotiation with China Mobile on the renewal of the Service Agreement. The renewed service agreement is expected to offer terms similar to the existing commercial terms and cooperating model under the Service Agreement. We will continue an in-depth communication with China Mobile in relation to the business cooperation policy for the provision of the wireless music search support service so as to pursue terms as favourable as possible to the Group.

As of the end of June 2012, the user base and the revenue of the Group's new business maintained a growth momentum, with the accumulated number of users of the entertainment information of over 50 million, the wireless music website of over 2 million and the App users on Android platform of over 100,000.

During the second quarter in 2012, the Group intends to upgrade its wireless music search service by enhancing search service functions of user interface, optimize users' experience for music search and strengthen the marketing cooperation with China Mobile. Meanwhile, the Group will continue to carry out various policies in relation to the mobile internet service, develop new products as well as increase the marketing effort of new business.

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

As at 30 June 2012, 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 were held by Greenford as beneficial owner. 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 2012.

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"). The options granted under the 2000 Scheme, which were not exercised or terminated or expired previously, became expired on 21 August 2011.

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

(a) 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.

(b) 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 number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with an aggregate value in excess of HK\$5 million must be approved in advance by the Company's shareholders. The New Scheme does not provide for any minimum period for holding of options or any performance target before exercise of options.

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 2012	Exercised during the period	Lapsed during the period	At 30 June 2012			
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 30 June 2012, the Company had outstanding options to subscribe for up to 29,240,000 shares of the Company under the 2002 Scheme and no options were granted under the New Scheme.

Save as disclosed above, as at 30 June 2012, none of the Directors and chief executive of the Company had an interest or short position in the ordinary shares or underlying shares of the Company or any of its associated corporations that was notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or 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 2012, 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%

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)
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. Mr. Yip Heon Keung, a Director of the Company, is the sole director and sole shareholder of Ace Central.
- (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 June 2012.

Save as disclosed above, as at 30 June 2012, 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 2012, 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 2012.

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 15 to 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 Group.

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 the 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.

NOMINATION COMMITTEE

In accordance with the CG Code, the Company established the nomination committee (“Nomination Committee”) on 29 March 2012 with written terms of reference. The principal responsibilities of the Nomination Committee include formulating nomination policy and making recommendations to the Board on nomination and appointment of Directors and Board succession, developing selection procedures for nomination of candidates, reviewing the size, structure and composition of the Board, as well as assessing the independence of independent non-executive Directors.

The Nomination Committee comprises one executive Director of the Company, namely Mr. Yip Heon Keung (Chairman of the Nomination Committee) and two independent non-executive Directors, Mr. Tam Chun Wan and Ms. Lai May Lun.

By Order of the Board
Yip Heon Keung
Chairman

Hong Kong, 7 August 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).

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