



# 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)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2015

### 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 purposes only

## **HIGHLIGHTS**

- Revenue of the Group for the year ended 31 March 2015 amounted to approximately HK\$9.8 million, representing a decrease of approximately 59.5% as compared to last year.
- The Group's gross profit for the year ended 31 March 2015 was approximately HK\$6.6 million, decreased by approximately HK\$5.7 million as compared to last year.
- Loss attributable to equity holders of the Company for the year ended 31 March 2015 amounted to approximately HK\$29.7 million, which represented a decrease in loss of approximately HK\$11.9 million as compared to last year.
- The Board does not recommend the payment of any dividend for the year ended 31 March 2015.

## RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2015 together with the comparative audited figures for the year ended 31 March 2014 as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Revenue</b>	4	<b>9,763</b>	24,209
Cost of sales		<u>(3,213)</u>	<u>(11,919)</u>
<b>Gross profit</b>		<b>6,550</b>	12,290
Other income and gains	4	<b>1,806</b>	1,956
Selling expenses		<b>(2,989)</b>	(11,443)
Administrative expenses		<b>(31,414)</b>	(40,057)
Other expenses		<b>(2,179)</b>	(4,187)
Finance costs	5	<u><b>(81)</b></u>	<u>(166)</u>
<b>Loss before tax</b>	6	<b>(28,307)</b>	(41,607)
Income tax expense	7	<u><b>(1,400)</b></u>	<u>(6)</u>
<b>Loss for the year attributable to equity holders of the Company</b>		<b>(29,707)</b>	(41,613)
<b>Other comprehensive income:</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<u>(17)</u>	485
<b>Total comprehensive expense for the year attributable to equity holders of the Company</b>		<u><b>(29,724)</b></u>	<u>(41,128)</u>
<b>Loss per share attributable to ordinary equity holders of the Company</b>			
Basic	8	<u><b>(HK3.87) cents</b></u>	<u>(HK5.50) cents</u>
Diluted		<u><b>N/A</b></u>	<u>N/A</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 March 2015**

	<i>Notes</i>	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,351	3,373
Investment property		4,367	4,767
Deposits		141	371
Available-for-sale investments		832	831
Goodwill		—	—
Deferred tax asset		—	1,394
<b>Total non-current assets</b>		<u>7,691</u>	<u>10,736</u>
<b>CURRENT ASSETS</b>			
Trade receivables	9	4,974	5,197
Prepayments, deposits and other receivables		3,132	7,835
Pledged deposits	10	—	250
Cash and cash equivalents		1,778	12,570
<b>Total current assets</b>		<u>9,884</u>	<u>25,852</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	9,713	9,952
Other payables and accruals		11,767	11,455
Due to Directors		2,000	535
Interest-bearing borrowing, secured	12	1,125	—
Tax payable		3,337	3,331
<b>Total current liabilities</b>		<u>27,942</u>	<u>25,273</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(18,058)</u>	<u>579</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(10,367)</u>	<u>11,315</u>
<b>NON-CURRENT LIABILITY</b>			
Deferred tax liability		500	499
<b>NET (LIABILITIES)/ASSETS</b>		<u>(10,867)</u>	<u>10,816</u>
<b>(DEFICIT IN ASSETS)/EQUITY</b>			
<b>(Deficit in assets)/equity attributable to equity holders of the Company</b>			
Share capital	13	79,610	75,635
Reserves		(90,477)	(64,819)
<b>TOTAL (DEFICIT IN ASSETS)/ EQUITY</b>		<u>(10,867)</u>	<u>10,816</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**Year ended 31 March 2015**

	Attributable to equity holders of the Company							
	Share capital HK\$'000	Share premium account HK\$'000	Statutory reserve fund HK\$'000 (Note a)	Foreign currency translation reserve HK\$'000 (Note b)	Share option reserve HK\$'000	Accumulated losses HK\$'000	Reserves sub-total HK\$'000	Total equity HK\$'000
At 1 April 2014	75,635	372,468	3,349	14,804	10,041	(465,481)	(64,819)	10,816
Loss for the year	—	—	—	—	—	(29,707)	(29,707)	(29,707)
Other comprehensive expense for the year:								
Exchange differences on translation of foreign operations	—	—	—	(17)	—	—	(17)	(17)
Total comprehensive expense for the year	—	—	—	(17)	—	(29,707)	(29,724)	(29,724)
Equity-settled share option arrangements	—	—	—	—	268	—	268	268
Transfer of share option reserve on the forfeited share options	—	—	—	—	(7,336)	7,336	—	—
Exercise of share options	2,475	3,841	—	—	(2,362)	—	1,479	3,954
Placement of new shares	1,500	2,550	—	—	—	—	2,550	4,050
Expenses on issue of new shares	—	(231)	—	—	—	—	(231)	(231)
At 31 March 2015	<u>79,610</u>	<u>378,628</u>	<u>3,349</u>	<u>14,787</u>	<u>611</u>	<u>(487,852)</u>	<u>(90,477)</u>	<u>(10,867)</u>
At 1 April 2013	75,635	372,468	3,349	14,319	7,793	(424,089)	(26,160)	49,475
Loss for the year	—	—	—	—	—	(41,613)	(41,613)	(41,613)
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	—	—	—	485	—	—	485	485
Total comprehensive income/(expense) for the year	—	—	—	485	—	(41,613)	(41,128)	(41,128)
Equity-settled share option arrangements	—	—	—	—	2,469	—	2,469	2,469
Transfer of share option reserve on the forfeited share options	—	—	—	—	(221)	221	—	—
At 31 March 2014	<u>75,635</u>	<u>372,468</u>	<u>3,349</u>	<u>14,804</u>	<u>10,041</u>	<u>(465,481)</u>	<u>(64,819)</u>	<u>10,816</u>

*Notes:*

(a) Statutory reserve fund

Pursuant to the relevant laws and regulations for business enterprises in the People's Republic of China (the "PRC"), a portion of the profits of the entities which are registered in the PRC has been transferred to the statutory reserve fund which is restricted as to use. When the balance of such reserve fund reaches 50% of the capital of that entity, any further appropriation is optional. The statutory reserve fund can be utilised, upon approval of the relevant authority, to offset prior years' losses or to increase capital. However, the balance of the statutory reserve fund must be maintained at least 25% of capital after such usage.

(b) Foreign currency translation reserve

Foreign currency translation reserve, represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars), are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Such exchange differences accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operations.

Notes:

## 1.1 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance.

## 1.2 BASIS OF PREPARATION

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The measurement basis used in the preparation of the consolidated financial statements is the historical cost convention, except for investment property which has been measured at fair value.

These summary of consolidated financial statements are presented in Hong Kong dollars which is also the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated. The Group’s major subsidiaries are operated in the PRC with Renminbi (“RMB”) as their functional currency.

The Group had incurred loss for the year attributable to equity holders of the Company of approximately HK\$29,707,000 (2014: HK\$41,613,000) for the year ended 31 March 2015, and as at 31 March 2015, the Group had net current liabilities and net liabilities of approximately HK\$18,058,000 and HK\$10,867,000 respectively and had a net cash used in operations of approximately HK\$21,605,000 (2014: HK\$27,313,000) during the year ended 31 March 2015. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the Directors are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the date of approving the consolidated financial statements on the basis that:

- (a) the management has taken further cost control measures to tighten the costs of operations and reduce various general and administrative expenses; and
- (b) Dynamic Peak Limited (a substantial shareholder of the Company subsequent to the year ended 31 March 2015) agreed to provide financial support and working capital to the Company until the Company has sufficient funds for the continuing operations of the Group so as to meet its liabilities and to pay financial obligations to third parties as and when they fall due to continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving the consolidated financial statements.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the Group’s consolidated financial statements on a going concern basis. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the steps being taken by the Directors as described above. The consolidated financial statements of the Group have been prepared on a going concern basis and therefore do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

## **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 2.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Group has applied the following revised HKFRSs issued by the HKICPA, which are relevant to the Group and effective for the first time for the Group's current year's financial statements.

Amendment to HKAS 32	Offsetting financial assets and financial liabilities
Amendment to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendment to HKAS 39	Novation of derivatives and continuation of hedge accounting
Amendment to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities
HK(IRIC)-Int 21	Levies

## 2.2 HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not applied or early adopted the following new or revised HKFRSs (including their consequential amendments) that have been issued but not yet effective in these consolidated financial statements. The name of pronouncements which may be relevant to the Group are set out below.

HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants <sup>3</sup>
HKAS 19 (2011) (Amendments)	Defined Benefit Plans: Employee Contributions <sup>1</sup>
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements <sup>3</sup>
HKFRSs (Amendments)	Annual Improvement to HKFRSs 2010-2012 Cycle <sup>2</sup>
HKFRSs (Amendments)	Annual Improvement to HKFRSs 2011-2013 Cycle <sup>1</sup>
HKFRSs (Amendments)	Annual Improvement to HKFRSs 2012-2014 Cycle <sup>3</sup>
HKFRS 9 (As revised in 2014)	Financial Instruments <sup>6</sup>
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Dates of HKFRS 9 and Transition Disclosures <sup>6</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interest in Joint Operations <sup>3</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>4</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>5</sup>
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: Applying the consolidation exception <sup>3</sup>
HKAS 1 (Amendments)	Disclosure initiative <sup>3</sup>



- <sup>1</sup> Effective for annual periods beginning on or after 1 July 2014.  
<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014 with limited exceptions.  
<sup>3</sup> Effective for annual periods beginning on or after 1 January 2016.  
<sup>4</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.  
<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017.  
<sup>6</sup> Effective for annual periods beginning on or after 1 January 2018.

The Group is currently assessing the impact of these new or revised HKFRSs upon their initial application but is not yet in a position to state whether they would have any significant impact in its results of operation and financial position. It is anticipated that all of the pronouncements will be adopted in the Group's accounting policy in the accounting period when they first becomes effective.

### 3. OPERATING SEGMENT INFORMATION

The Group has only one single operating segment as the Group is principally engaged in wireless 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 and assets are located in the Mainland China.

#### Information about major customers

During the year ended 31 March 2015, revenue of approximately HK\$9,528,000 which represents 97.6% of the Group's total sales was derived from services rendered to one customer. During the year ended 31 March 2014, approximately HK\$13,329,000 and HK\$4,949,000 which represents 55.1% and 20.4% of the Group's total sales were derived from services rendered to two customers respectively. No other single customer contributed 10% or more to the Group's revenue for each of the years ended 31 March 2015 and 2014.

### 4. REVENUE, OTHER INCOME AND GAINS

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

An analysis of the Group's revenue, other income and gains is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Revenue</b>		
Services income	<u>9,763</u>	<u>24,209</u>
<b>Other income and gains</b>		
Bank interest income	134	503
Investment income	502	494
Net foreign exchange gains	—	88
Gain on disposal of items of property, plant and equipment	1,170	51
Fair value gain on an investment property	—	284
Others	<u>—</u>	<u>536</u>
	<u>1,806</u>	<u>1,956</u>
	<u><u>11,569</u></u>	<u><u>26,165</u></u>

## 5. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on:		
borrowing wholly repayable within five years	81	164
bank overdrafts	<u>—</u>	<u>2</u>
Total borrowing costs	<u><b>81</b></u>	<u><b>166</b></u>

## 6. LOSS BEFORE TAX

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Cost of services provided*	3,213	11,919
Depreciation*	1,053	1,568
Minimum lease payments under operating leases in respect of:		
Land and buildings	2,733	2,707
Auditors' remuneration	550	550
Employee benefits expense (including Directors' remuneration)*#:		
Wages, salaries, allowances and benefits in kind	15,770	22,759
Equity-settled share option arrangements	268	2,469
Pension scheme contributions (defined contribution schemes)	1,790	2,858
Severance payments	<u>85</u>	<u>632</u>
	<u><b>17,913</b></u>	<u><b>28,718</b></u>
Foreign exchange losses/(gains), net	29	(88)
Impairment allowances on trade receivables	222	1,348
Impairment on other receivables	—	818
Gain on disposal of items of property, plant and equipment	(1,170)	(51)
Research and development costs <sup>#</sup>	1,770	3,368
Bank interest income	(134)	(503)
Investment income	(502)	(494)
Fair value loss/(gain) on an investment property	<u><b>408</b></u>	<u><b>(284)</b></u>

\* The cost of services provided includes depreciation and employee benefits expense totalling approximately HK\$2,098,000 for the year ended 31 March 2015 (2014: HK\$4,570,000), which is also included in the respective total amount separately disclosed above.

# The research and development costs for the year include approximately HK\$1,770,000 (2014: HK\$3,365,000) relating to employee benefits expense for research and development activities, which is also included in the employee benefits expense separately disclosed above.

## 7. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the years ended 31 March 2015 and 2014. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current — Hong Kong:		
Charge for the year	—	—
Current — Elsewhere:		
Charge for the year	6	6
Deferred	<u>1,394</u>	<u>—</u>
Total tax charged for the year	<u><u>1,400</u></u>	<u><u>6</u></u>

## 8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company of approximately HK\$29,707,000 (2014: HK\$41,613,000), and the weighted average numbers of ordinary shares of 767,951,438 (2014: 756,355,000) in issue during the year.

No diluted loss per share are calculated as there were no dilutive potential equity shares in existence as at 31 March 2015 and 2014.

## 9. TRADE RECEIVABLES

An aged analysis of the Group's trade receivables, net of impairment allowances, based on the month in which the services were rendered, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 3 months	2,364	3,433
4 to 6 months	806	922
7 to 12 months	1,198	670
Over 1 year	<u>606</u>	<u>172</u>
Trade receivables, net	<u><u>4,974</u></u>	<u><u>5,197</u></u>

The Group's trade receivables, which generally have credit terms of one month to three months (2014: one month to three months) pursuant to the provisions of the relevant contracts, are recognised based on services rendered and carried at the original invoice amount, and an estimate of impairment of trade receivables is made and deducted when collection of the full amount is no longer probable.

## 10. PLEDGED DEPOSITS

At 31 March 2014, pledged deposits represent deposits pledged to banks for banking facilities granted to the Group. The pledged deposit was released during the year ended 31 March 2015.

## 11. TRADE PAYABLES

An aged analysis of the Group's trade payables, based on the month in which the services were rendered, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 3 months	—	50
4 to 6 months	—	59
7 to 12 months	—	3,582
Over 1 year	<u>9,713</u>	<u>6,261</u>
	<u><u>9,713</u></u>	<u><u>9,952</u></u>

## 12. INTEREST-BEARING BORROWING, SECURED

At 31 March 2015, the Group had a secured borrowing with remaining balance of approximately HK\$1,125,000 which is secured by the Group's investment property with carrying amount of approximately HK\$4,367,000. The secured borrowing is interest bearing at 8.5% per annum and repayable within one year. The borrowing was fully settled subsequently.

## 13. SHARE CAPITAL

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<i>Authorised:</i>		
2,500,000,000 (2014: 2,500,000,000) ordinary shares of HK\$0.10 each	<u>250,000</u>	<u>250,000</u>
<i>Issued and fully paid:</i>		
796,105,000 (2014: 756,355,000) ordinary shares of HK\$0.10 each	<u>79,610</u>	<u>75,635</u>

## **DIVIDEND**

The Board does not recommend the payment of any dividend for the year ended 31 March 2015 (2014: nil).

## **AUDIT OPINION**

The auditors of the Group have issued an opinion with emphasis of matter on the consolidated financial statements of the Group for the year under audit. An extract of the auditors' report is set out in the section headed "EXTRACT OF THE AUDITORS' REPORT" below.

## **EXTRACT OF THE AUDITORS' REPORT**

### **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2015, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to note 2.1\* to the consolidated financial statements, which states that the Group incurred a net loss of approximately HK\$29,707,000 during the year ended 31 March 2015 and as at 31 March 2015 the Group had net current liabilities and net liabilities of approximately HK\$18,058,000 and HK\$10,867,000 respectively. These conditions, along with other matters set forth in note 2.1\* to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

\* *As reproduced in note 1.2 of this announcement*

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

#### ***Revenue***

During the year, revenue from the wireless value-added service ("WVAS") for music again became the Group's main source of income. The income from the Group's technical supporting services to a major telecommunication operator in the PRC, however, showed a downward trend due to the demanding terms and policies imposed by the telecommunication operator. As reported in previous reports and announcements, the Group has tied up its existing funding to high-quality services in these contracts and therefore resulted in limited resources available to other business areas that caused a further drop in revenue from business partners of WVAS.

As a result, the Group's revenue for the year ended 31 March 2015 amounted to approximately HK\$9.8 million, representing a decrease of approximately 59.5% from approximately HK\$24.2 million for the year ended 31 March 2014.

### ***Cost of sales and gross profit margin***

As a result of decline in revenue, cost of sales of the Group decreased from approximately HK\$11.9 million for the year ended 31 March 2014 to approximately HK\$3.2 million for the year ended 31 March 2015, representing a decrease of approximately 73.1%. As the Group has decreased in revenue generated from business partners of WVAS which has a lower gross profit margin, the overall gross profit margin increased from approximately 50.8% to 67.1% in current year.

### ***Other income and gains***

Other income and gains during the year amounted to approximately HK\$1.8 million, which was decreased by approximately HK\$0.2 million as compared with that of 2014 (2014: HK\$2.0 million). The decrease mainly attributable to the decreases in fair value gain on an investment property and interest income, which has been offset by the increase in gain from disposal of non-current assets.

### ***Selling expenses***

For the year ended 31 March 2015, as a result of further streamline of the selling department and tight control over promotional activities, the Group's selling expenses experienced a decrease from approximately HK\$11.4 million for the year ended 31 March 2014 to approximately HK\$3.0 million for the year ended 31 March 2015, representing a drop of approximately 73.7%.

### ***Administrative expenses***

Administrative expenses mastered a decrease of approximately HK\$8.7 million from approximately HK\$40.1 million for the year ended 31 March 2014 to approximately HK\$31.4 million for the year ended 31 March 2015. The decrease in such expenses was due to the stringent control on the already tight budget. Also there were non-recurring expenses over share options granted in the third quarter of the year ended 31 March 2014 which resulted in an one-off expense of approximately HK\$2.0 million last year and there was a decrease in doubtful debts provision as compared with last year.

### ***Other expenses***

Other expenses, which mainly represented expenses for service and staff development and other non-operating expenses, decreased from approximately HK\$4.2 million in 2014 to approximately HK\$2.2 million in 2015 which was mainly due to the decrease in non-operating staff costs during the year and the decrease in impairment on other receivables.

### ***Result for the year***

The Group's loss attributable to equity holders of the Company dropped to approximately HK\$29.7 million in current year, representing a decrease in loss of approximately HK\$11.9 million from that in 2014 (2014: HK\$41.6 million).

### ***Total equity***

Due to the loss in the periods and the use up of internal resources as described above, as at 31 March 2015, the Group has a deficit in assets amounted to approximately HK\$10.9 million (2014: total equity of approximately HK\$10.8 million) and net current liabilities amount to approximately HK\$18.1 million (2014: net current assets of approximately HK\$0.6 million).

### ***Liquidity and financial resources***

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the cost of funds, the Group's treasury activities are centralised and cash is generally placed in deposits with banks.

As at 31 March 2015, total cash and cash equivalents of the Group amounted to approximately HK\$1.8 million (2014: HK\$12.6 million). The pledged bank deposit of the Group amounted to approximately HK\$0.3 million as at 31 March 2014 was released in current year. During the year, the Group has a new borrowing of approximately HK\$1.1 million from a third party which remained outstanding as at 31 March 2015 (2014: nil). This borrowing is pledged by a property of the Group located in the PRC.

During the year under review, the Group financed its operations by revenue generated from its operations, the new pledged borrowing and new shares issued pursuant to a placing agreement dated 23 January 2015 and the exercises of share options. Its cash resources were used up to finance the operations of the Group. There was no seasonality as to the Group's borrowing requirements and no committed borrowing facilities.

### ***Treasury policies and foreign currency exchange exposure***

As most of the Group's trading transactions, monetary assets and liabilities are denominated in Renminbi and Hong Kong dollar, the impact of foreign exchange exposure to the Group was minimal and there was no significant adverse effect on normal operations.

Cash is generally deposited at banks in the PRC and Hong Kong and denominated mostly in Renminbi and Hong Kong dollar. As at 31 March 2015, no related hedges were made by the Group (2014: nil).

### ***Contingent liabilities***

As at 31 March 2015, the Group had no material contingent liabilities (2014: nil).

### *Significant investments, acquisitions or disposals*

There were no significant investments or material acquisitions or disposals by the Company during the year ended 31 March 2015 (2014: nil).

### *Capital structure*

The shares of the Company were listed on GEM on 28 March 2000. During the year under review, a total of 24,750,000 share options were exercised to subscribe for shares of the Company.

Further, pursuant to a placing agreement dated 23 January 2015, 15,000,000 new ordinary shares of HK\$0.10 each of the Company were issued under the general mandate at the price of HK\$0.27 per share for cash to a placing agent (the “Placing”).

The total of 15,000,000 new shares issued under the Placing represents approximately 1.92% of the then Company’s issued share capital before the Placing (781,105,000 ordinary shares) and approximately 1.88% of its enlarged issued share capital of the Company after the Placing (796,105,000 ordinary shares). The net proceed from the Placing was approximately HK\$3.9 million. The Group will use such net proceeds mainly for general working capital of the Group. The Placing was completed on 30 January 2015.

### *Events after the reporting period*

On 1 April 2015, Dynamic Peak Limited (the “Offeror”), and Century Technology Holding (PTC) Limited, Bakersfield Global (PTC) Corporation and Greenford Company (PTC) Limited (the “Vendors”) entered into a sale and purchase agreement (“S&P Agreement”). Pursuant to which, the Offeror conditionally agreed to purchase and the Vendors conditionally agreed to sell the aggregate of 294,276,619 shares of the Company (the “Sale Shares”), for a total consideration of HK\$79,454,687.13 (representing HK\$0.27 per Sale Share). The completion of the S&P Agreement took place on 29 April 2015. For details, please refer to the Company’s announcement dated 29 April 2015.

### **Employee and Remuneration Policy**

As at 31 March 2015, the Group had a total of 59 employees (2014: 75). Total staff costs for the year ended 31 March 2015 decreased to approximately HK\$17.9 million (2014: HK\$28.7 million) mainly due to decrease in headcount.

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 financial year 2015, tight policies were continued for domestic telecommunication industry. Telecommunication operators generally have tight control on the co-marketing and supporting services costs. During the year, the WVAS project operated with China Mobile Limited faced the same challenges.

China's mobile internet population is increasing on year-to-year basis with the raising use of smartphones and the improvement of networking infrastructure. As a result of the technology changes, the Group is therefore diversifying to the mobile internet market. We will continue to develop applications which support internet and mainstream mobile phone platforms, such as the Mi-Gu Ringtone (already launched) and games for mobile phone.

Looking ahead, there are still great challenges for the Group. While carrying out initiatives already under way in its current strategic plans, the Group will also critically review the future opportunities in its traditional businesses with a target to reallocate the Group's resources for a more fruitful manner. In the coming future, the Group will focus its work on strengthen its marketing and channel efforts, increasing user base and improving the quality of its products.

## **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 year under review.

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

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year under review.

## **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 year ended 31 March 2015.

## **CORPORATE GOVERNANCE CODE**

Save as the deviation disclosed below, 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 year under review.

With respect to the deviation, the CG Code provision A.2.1 provides that the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. During the year under review, following the resignation of Ms. Li Luyi as the chief executive officer of the Company on 5 February 2015, the appointment of the chief executive officer is still outstanding. The Company will continue to use its best endeavours to fill the vacancy as soon as practicable.

### **ACTING CHIEF EXECUTIVE OFFICER**

As mentioned above, the appointment of the chief executive officer of the Company is still outstanding. During the transitional period, Mr. Yip Heon Keung, the Chairman of the Company, will assume the post of the acting chief executive officer of the Company with effect from 5 February 2015.

### **AUDIT COMMITTEE**

The Company established its 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 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 Group’s relationship with its auditors.

As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors, 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 remuneration policy and structure for all 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, 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 its 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, 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, 22 June 2015

As at the date of this announcement, the Board comprises the following Directors:

Mr. Yip Heon Keung (*Chairman and Executive Director*)  
Mr. Yip Heon Ping (*Executive Director*)  
Mr. Han Jun (*Executive Director*)  
Ms. Li Luyi (*Non-executive Director*)  
Mr. Tam Chun Wan (*Independent Non-executive Director*)  
Ms. Tse Yuet Ling, Justine (*Independent Non-executive Director*)  
Ms. Lai May Lun (*Independent Non-executive Director*)

*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).*