



PROSTEN TECHNOLOGY HOLDINGS LIMITED

長達科技控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8026)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

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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 six months ended 30 September 2015 amounted to approximately HK\$4.2 million, representing a decrease of approximately HK\$1.3 million as compared to the corresponding period in the previous financial year.
- The Group's gross profit for the six months ended 30 September 2015 was approximately HK\$3.5 million, decreased by approximately HK\$0.3 million as compared with the same period of last year.
- Loss attributable to equity holders of the Company for the six months ended 30 September 2015 amounted to approximately HK\$8.6 million, which represented a decrease in loss of approximately HK\$8.3 million as compared with the same period of 2014.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2015.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

Six months and three months ended 30 September 2015

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months and three months ended 30 September 2015 together with the unaudited comparative figures for the corresponding periods in 2014 as follows:

	<i>Notes</i>	Six months ended 30 September		Three months ended 30 September	
		2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> (Unaudited)	2014 <i>HK\$'000</i> (Unaudited)
Revenue	3	4,235	5,469	1,986	3,069
Cost of sales		(738)	(1,706)	(382)	(767)
Gross profit		3,497	3,763	1,604	2,302
Other income and gains		412	370	398	244
Selling expenses		(1,546)	(1,466)	(617)	(600)
Administrative expenses		(10,759)	(17,705)	(4,772)	(7,252)
Other expenses		(229)	(1,851)	(2)	(852)
Finance costs		(10)	(10)	—	—
Loss before tax	4	(8,635)	(16,899)	(3,389)	(6,158)
Income tax expense	5	—	—	—	—
Loss for the period attributable to equity holders of the Company		(8,635)	(16,899)	(3,389)	(6,158)
Other comprehensive income					
Exchange differences on translation of foreign operations		332	—	332	—
Total comprehensive expense for the period		(8,303)	(16,899)	(3,057)	(6,158)
Loss per share attributable to equity holders of the Company	6				
Basic		(HK1.0 cents)	(HK2.2 cents)	(HK0.4 cents)	(HK0.8 cents)
Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2015

	Notes	30 September 2015 <i>HK\$'000</i> (Unaudited)	31 March 2015 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,999	2,351
Investment property		4,590	4,367
Deposits		350	141
Available-for-sale investments		818	832
Goodwill		—	—
Deposit for investment		3,450	—
Total non-current assets		<u>11,207</u>	<u>7,691</u>
CURRENT ASSETS			
Trade receivables	8	5,265	4,974
Prepayments, deposits and other receivables		3,088	3,132
Cash and cash equivalents	9	52,724	1,778
Total current assets		<u>61,077</u>	<u>9,884</u>
CURRENT LIABILITIES			
Trade payables	10	9,385	9,713
Other payables and accruals		14,566	11,767
Due to Directors		5,865	2,000
Interest-bearing borrowing, secured		—	1,125
Tax payable		3,224	3,337
Total current liabilities		<u>33,040</u>	<u>27,942</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>28,037</u>	<u>(18,058)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>39,244</u>	<u>(10,367)</u>
NON-CURRENT LIABILITY			
Deferred tax liability		483	500
NET ASSETS/(DEFICIT IN ASSETS)		<u>38,761</u>	<u>(10,867)</u>
EQUITY/(DEFICIT IN ASSETS)			
Equity attributable to equity holders of the Company			
Issued capital	11	93,551	79,610
Reserves		(54,790)	(90,477)
TOTAL EQUITY/(DEFICIT IN ASSETS)		<u>38,761</u>	<u>(10,867)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six months ended 30 September 2015

	Attributable to equity holders of the Company							
	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i> <i>(note a)</i>	Foreign currency translation reserve <i>HK\$'000</i> <i>(note b)</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Reserves sub-total <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2015 (audited)	79,610	378,628	3,349	14,787	611	(487,852)	(90,477)	(10,867)
Loss for the period (unaudited)	—	—	—	—	—	(8,635)	(8,635)	(8,635)
Other comprehensive expense for the period (unaudited):								
Exchange differences on translation of foreign operations (unaudited)	—	—	—	332	—	—	332	332
Total comprehensive income/(expense) for the period (unaudited)	—	—	—	332	—	(8,635)	(8,303)	(8,303)
Equity-settled share option arrangements (unaudited)	—	—	—	—	79	—	79	79
Exercise of share options (unaudited)	314	704	—	—	(401)	—	303	617
Placement of new shares (unaudited)	13,627	44,969	—	—	—	—	44,969	58,596
Expenses on issue of new shares (unaudited)	—	(1,361)	—	—	—	—	(1,361)	(1,361)
At 30 September 2015 (unaudited)	<u>93,551</u>	<u>422,940</u>	<u>3,349</u>	<u>15,119</u>	<u>289</u>	<u>(496,487)</u>	<u>(54,790)</u>	<u>38,761</u>
At 1 April 2014 (audited)	75,635	372,468	3,349	14,804	10,041	(465,481)	(64,819)	10,816
Loss for the period (unaudited)	—	—	—	—	—	(16,899)	(16,899)	(16,899)
Total comprehensive expense for the period (unaudited)	—	—	—	—	—	(16,899)	(16,899)	(16,899)
Equity-settled share option arrangements (unaudited)	—	—	—	—	250	—	250	250
Transfer of share option reserve on the forfeited share options (unaudited)	—	—	—	—	(119)	119	—	—
At 30 September 2014 (unaudited)	<u>75,635</u>	<u>372,468</u>	<u>3,349</u>	<u>14,804</u>	<u>10,172</u>	<u>(482,261)</u>	<u>(81,468)</u>	<u>(5,833)</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 year's 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Six months ended 30 September 2015

	Six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash flows used in operating activities	(6,631)	(12,384)
Net cash flows generated from/(used in) investing activities	(3,338)	356
Net cash flows generated from/(used in) financing activities	<u>60,583</u>	<u>(10)</u>
Net increase/(decrease) in cash and cash equivalents	50,614	(12,038)
Cash and cash equivalents at beginning of period	1,778	12,570
Effect of foreign exchange rate changes, net	<u>332</u>	<u>—</u>
Cash and cash equivalents at end of period	<u>52,724</u>	<u>532</u>
Analysis of cash and cash equivalents		
Cash and bank balances	<u>52,724</u>	<u>532</u>

Notes:

1. Basis of Preparation

The Group's unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. In addition, the unaudited consolidated results include applicable disclosures required by the GEM Listing Rules. The measurement basis used in the preparation of the unaudited consolidated results is the historical cost convention, except for the investment property which has been measured at fair value. These unaudited consolidated results 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 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 2015, except that the Group has adopted a number of new or revised HKFRSs, which are newly effective for the period under review. The adoption of these new or revised HKFRSs had no significant effect on the financial results of the current period. Accordingly, no change in significant accounting policies and no prior period adjustment is required.

The Group has not applied or early adopted the new or revised HKFRSs (including their consequential amendments) which are relevant to the Group that have been issued but are not yet effective in the preparation of these unaudited consolidated results. The Group is in the process of assessing the potential impact of these new or revised HKFRSs upon initial application but is not yet in a position to state whether these new or revised HKFRSs will have a significant impact on the Group's results of operations and financial position. It is anticipated that all of the pronouncements will be adopted in the Group's accounting policies in the accounting periods when they first become effective.

The unaudited consolidated results have been reviewed by the audit committee of the Company ("Audit Committee").

2. 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 are located in Mainland China.

Information about major customers

During the six months ended 30 September 2015, revenue of approximately HK\$4,235,000 (2014: HK\$5,235,000), which represents 100% (2014: 96%) of the Group's total sales, was derived from services rendered to one customer. During the three months ended 30 September 2015, revenue of approximately HK\$1,986,000 (2014: HK\$3,069,000), which represents 100% (2014: 100%) of the Group's sales, was derived from services rendered to one customer. Except as disclosed above, no other single customer contributed 10% or more to the Group's revenue for both the six months and three months ended 30 September 2015 and 2014.

3. Revenue

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

4. Loss Before Tax

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

	Six months ended		Three months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation	443	584	220	284
Minimum lease payments under operating leases in respect of land and buildings	837	1,074	404	490
Employee benefits expense	6,061	12,623	2,661	5,023
Investment income	(17)	(216)	(9)	(106)

5. 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 six months and three months ended 30 September 2015 (six months and three months ended 30 September 2014: nil). Taxes on profits assessable elsewhere in the periods have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

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

The calculation of basic loss per share amount for the six months ended 30 September 2015 is based on the unaudited loss for the period attributable to equity holders of the Company of approximately HK\$8,635,000 (2014: HK\$16,899,000) and the weighted average number of ordinary shares of approximately 828,634,000 in issue for the six months ended 30 September 2015 (2014: 756,355,000).

The calculation of basic loss per share amount for the three months ended 30 September 2015 is based on the unaudited loss for the period attributable to equity holders of the Company of approximately HK\$3,389,000 (2014: HK\$6,158,000) and the weighted average number of ordinary shares of approximately 859,942,000 in issue for the three months ended 30 September 2015 (2014: 756,355,000).

No diluted loss per share for the periods are calculated as there were no dilutive potential equity shares as at 30 September 2015 and 2014.

7. Property, Plant and Equipment

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

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Net book value, at beginning of period/year	2,351	3,373
Additions for the period/year	122	27
Depreciation for the period/year	(443)	(1,053)
Exchange realignment for the period/year, net	<u>(31)</u>	<u>4</u>
Net book value, at end of period/year	<u>1,999</u>	<u>2,351</u>

8. Trade Receivables

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Trade receivables, gross	6,558	6,311
Impairment allowances	<u>(1,293)</u>	<u>(1,337)</u>
Trade receivables, net	<u>5,265</u>	<u>4,974</u>

The Group's trade receivables, which generally have credit terms of one month to three months (31 March 2015: 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. At the end of the reporting period, the Group has significant concentration of credit risk as approximately 83% (31 March 2015: 81%) of the balance represented a receivable from a customer with the largest trade receivable balances at end of reporting period. The trade receivables balances as at 30 September 2015 contributed by the five largest customers of the six months ended 30 September 2015 was 100% (31 March 2015: 100%). Concentration of credit risk is managed by control over credit term over individual customer. Trade receivables are unsecured and non-interest-bearing. 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:

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Within three months	2,110	2,364
4 to 6 months	2,228	806
7 to 12 months	—	1,198
Over 1 year	<u>927</u>	<u>606</u>
	<u>5,265</u>	<u>4,974</u>

The Group does not hold any collateral or other credit enhancements over these balances.

9. Cash and Cash Equivalents

Cash and cash equivalent as at 30 September 2015 and 31 March 2015 represented the Group's cash and bank balances.

10. Trade Payables

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

	30 September 2015 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Over 1 year	<u>9,385</u>	<u>9,713</u>

11. Share Capital

	30 September 2015		31 March 2015	
	Number of shares '000	HK\$'000 (Unaudited)	Number of shares '000	HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.10 (31 March 2015: HK\$0.10) each	<u>2,500,000</u>	<u>250,000</u>	<u>2,500,000</u>	<u>250,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.10 (31 March 2015: HK\$0.10) each				
At beginning of period/year	796,105	79,610	756,355	75,635
Exercise of share options	3,137	314	24,750	2,475
Placing of new shares	<u>136,270</u>	<u>13,627</u>	<u>15,000</u>	<u>1,500</u>
At end of period/year	<u>935,512</u>	<u>93,551</u>	<u>796,105</u>	<u>79,610</u>

On 23 January 2015, the Company entered into a placing agreement with a placing agent, an independent third party. On 30 January 2015, the placing was completed and the Company issued a total of 15,000,000 ordinary shares with par value of HK\$0.1 each at a price of HK\$0.27 each. The issued share capital of the Company was thus increased by approximately HK\$15,000,000. The excess of the placement proceeds over the nominal value of share capital issued was credited as share premium.

Pursuant to another placing agreement dated 31 July 2015, 136,270,000 ordinary shares of HK\$0.10 each of the Company were issued under the general mandate at the price of HK\$0.43 per share for cash to a placing agent. This placing was completed on 21 August 2015. The issued share capital of the Company was thus increased by approximately HK\$13,627,000. The excess of the placement proceeds over the nominal value of share capital issued was credited as share premium.

12. Commitments

(a) Operating lease arrangements

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years (31 March 2015: one to three years).

At end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2015 <i>HK\$'000</i> (Unaudited)	31 March 2015 <i>HK\$'000</i> (Audited)
Land and buildings:		
Within one year	1,449	543
In the second to fifth years, inclusive	<u>2,424</u>	<u>26</u>
	<u>3,873</u>	<u>569</u>

(b) Capital commitments

Following the business strategies set out in the first quarterly report, the management has reviewed the Group's business and formulated plans for its future development. During the six months ended 30 September 2015, the management has identified various business opportunities and taken graduate steps to expand the Group's business such as performed preliminary studies and entered into conditional agreements. As at 30 September 2015, the amount conditionally contracted for and remained unpaid was approximate HK\$3.6 million (31 March 2015: nil).

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2015 (2014: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Result

As reported in the Group's previous reports and announcements, the management of the Group would conduct a detail review of the business operations of the Group for the purpose of formulating suitable business plans and strategies for its future business development. During the period under review, the Group has already taken certain moves to expand its business to various wireless-based businesses.

Revenue

While the management's efforts take time to be realised, during the period under review, the Group's wireless music search services in the PRC remained as the main stream of income of the Group. Revenue during the six months ended 30 September 2015 was approximately HK\$4.2 million, which represented a decrease of approximately HK\$1.3 million from that of approximately HK\$5.5 million for the six months ended 30 September 2014. Revenue for the three months ended 30 September 2015 of approximately HK\$2.0 million, which also represented a decrease of approximately HK\$1.1 million as compared to that of approximately HK\$3.1 million for the three months ended 30 September 2014. During the periods under review, the Group mainly derived such revenue from the technical supporting service contracts with a major telecommunication carrier in the PRC.

For the operating segment information, please refer to note 2 to the unaudited financial information.

Cost of sales

As a result of the decrease in scale of operations and revenue, the Group's cost of sales for the periods under review was decreased by approximately HK\$1.0 million and HK\$0.4 million to approximately HK\$0.7 million and HK\$0.4 million for the six months and three months ended 30 September 2015, respectively. Such decreases in cost of sales were mainly due to decrease in staff costs for operations following the streamline of Group's operations during the periods.

Other income and gains

Other income and gains mainly represented gain on revaluation of investment property. The other income and gains for the six months and three months ended 30 September 2015 was approximately HK\$0.4 million and HK\$0.4 million, respectively, which are in line with that for the six months and three months ended 30 September 2014.

Expenses

The Group's expenses mainly comprised selling expenses, administrative expenses and other expenses.

During the six months and three months ended 30 September 2015, selling expenses was approximately HK\$1.5 million and HK\$0.6 million, which are consistent with that incurred for the six months and three months ended 30 September 2014.

As a result of the streamlining and re-structuring of the Group's work forces, the Group's staff costs were generally decreased, which resulted in a decrease in administrative expenses and other expenses. Administrative expenses decreased to approximately HK\$10.8 million and HK\$4.8 million for the six months and three months ended 30 September 2015, representing decreases of approximately 39.2% and 34.2% as compared with those for the six months and three months ended 30 September 2014, respectively. Others expenses, which mainly represented expenses for product and staff development and other non-operating expenses, has decreased by approximately HK\$1.7 million and HK\$0.9 million for the six months and three months ended 30 September 2015, respectively.

Loss for the periods

As a combination effect of the above, the loss attributable to equity holders of the Company for the first six months of this year amounted to approximately HK\$8.6 million, which was narrowed as compared to that of approximately HK\$17.0 million for the same period last year.

Financial Position

Liquidity and financial resources

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 with banks.

During the six months and three months ended 30 September 2015, the Group has financed its operations and payment of a deposit to an investment mainly by revenue generated from its operations and proceeds from issue of new shares. At 30 September 2015, cash and cash bank balances (which were mainly denominated in Hong Kong dollars) was amounted to approximately HK\$52.7 million, representing an increase of approximately HK\$50.9 million from approximately HK\$1.8 million as at 31 March 2015 mainly as a result of the placement of new shares.

As at 31 March 2015, the Group's loan from third party due within one year with fixed rate, which was mainly denominated in Renminbi and pledged by a property of the Group located in the PRC, amounted to approximately HK\$1.1 million and was fully repaid during the six months ended 30 September 2015. There was no seasonality as to the Group's borrowing requirements and no other committed borrowing facilities. No gearing ratio (calculated by total bank and other borrowings over

total equity) was presented as at 30 September 2015 as the Group did not have any bank and other borrowing as at 30 September 2015 (31 March 2015: being deficit in assets and gearing ratio not calculated).

Total equity

Due to the loss in the periods, the use up of internal resources and issue of new shares as described above, as at 30 September 2015, the Group has total equity amounted to approximately HK\$38.8 million (31 March 2015: deficit of assets of HK\$10.9 million) and net current assets amount to approximately HK\$28.0 million (31 March 2015: net current liabilities of HK\$18.1 million).

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 September 2015, no related hedges were made by the Group (31 March 2015: nil).

Contingent liabilities and capital commitments

As at 30 September 2015, the Group had no material contingent liabilities (31 March 2015: nil).

Save as those set out in elsewhere in this announcement, the Group had no material capital commitments (31 March 2015: nil).

Capital Structure

The shares of the Company were listed on GEM on 28 March 2000. During the period under review, a total of 3,137,500 share options were exercised to subscribe for shares of the Company.

On 1 April 2015, Dynamic Peak Limited ("Dynamic Peak") as the offeror and existing substantial shareholder of the Company, and Century Technology Holding (PTC) Limited, Bakersfield Global (PTC) Corporation and Greenford Company (PTC) Limited (the "Vendors") as the vendors and former substantial shareholders of the Company, entered into a sale and purchase agreement ("S&P Agreement"). Pursuant to which, Dynamic Peak 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.

Placing of new shares under general mandate

Pursuant to a placing agreement dated 31 July 2015, 136,270,000 ordinary shares of HK\$0.10 each of the Company were issued under the general mandate at the price of HK\$0.43 per share for cash to a placing agent (the "Placing").

The total of 136,270,000 placing shares represents approximately 17.05% of the Company's issued share capital before the Placing (799,242,500 ordinary shares) and approximately 14.57% of its enlarged issued share capital of the Company after the Placing (935,512,500 ordinary shares). The net proceeds from the Placing was approximately HK\$57,000,000. As disclosed in the announcement of the Company dated 29 September 2015, the Company intended to use approximately HK\$45,000,000 for investment or acquisition of potential new projects and HK\$12,000,000 for general working capital of the Group. As at the date of this announcement, the net proceeds used had been applied in accordance with the intended uses as described in the announcement dated 29 September 2015. The Placing was completed on 21 August 2015.

Business development, acquisitions and events after end of review period

Following the business strategies set out in the first quarterly report, the management has reviewed the Group's business and formulated plans for its future development. During the period under review, the management has identified various business opportunities and taken graduate steps to expand the Group's business such as performed preliminary studies and entered into conditional agreements which the management believe will benefit the Group and the Company's shareholders as a whole. As at 30 September 2015, the amount conditionally contracted for and remained unpaid was approximately HK\$3.6 million (31 March 2015: nil).

Subsequent to the reporting period on 23 October 2015, the Group has entered into a conditional agreement pursuant to which the Group agreed to acquire 6% shareholding in Hong Kong Net TV Limited ("Target Company") for a consideration of HK\$15 million. In the event that any of the following conditions is not met after completion of the above-mentioned acquisition, the Group shall have a right (but not an obligation) exercisable at its discretion mandating the vendor to repurchase the entire shares in Target Company then held by the Group at the original price. The conditions include:

- (1) the consolidated after-tax net profits of Target Company (on a non-cumulative basis ignoring any net profits carried forward from the previous financial years, if any) (i) during the financial year ending 31 December 2015 to reach HK\$16,000,000.00; or (ii) during the financial year ending 31 December 2016 to reach HK\$18,000,000.00; or (iii) the aggregate consolidated after-tax net profits earned during the two financial years ending 31 December 2015 and 31 December 2016 respectively to reach HK\$37,000,000.00; or
- (2) the Target Company shall hold the CEPA Certificates (as defined below) or shall be eligible for being a holder of any of them at any time within 2 years after completion of the acquisition.

Hong Kong Net TV Limited is currently holding 5 Certificates of Hong Kong Service Supplier issued by the Trade and Industry Department of Hong Kong pursuant to the Mainland and Hong Kong Closer Economic Partnership Arrangement in respect of the following services (collectively "CEPA Certificates"): (i) advertising services; (ii) photographic services; (iii) audiovisual services — videos, sound recording products related services; (iv) audiovisual services — motion pictures distribution services; and (v) audiovisual services — other and/or multiple services.

The Board believe that the investment would enhance the long-term growth of the Group and in the interests of the Group and its shareholders as a whole.

Significant disposal, acquisition and investment

Save as those set out elsewhere in this announcement, the Group has no significant disposal, acquisition and investment during the period under review.

Employees and Remuneration Policy

As at 30 September 2015, the Group had a total of 36 employees (31 March 2015: 54) and total staff cost for the six months ended 30 September 2015 was approximately HK\$6.1 million (six months ended 30 September 2014: HK\$12.6 million). 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 on-job and other training.

Business Review and Outlook

Year 2015 has been a challenging year yet. Stock market in the PRC and Hong Kong went up and down. The deteriorating stock market had affected the sentiments of the telecommunication industry. This does not only affect the demand for and usage of the Group's services but also had a negative impact on the Company's revenue.

Despite these aversing effects on the market and industry, the Company had been able to maintain a harmonious relation with existing consumers and continue to maintain a steady income. Meanwhile, the Company took tight cash flow over the treasury management to rebate the effect of reducing bank balances.

On 23 October 2015 after the reporting period, the Company had diversified the business to enhance the long-term growth of the Group by acquisition of 6% shareholdings of Hong Kong Net TV Limited.

Looking ahead, the Group will continue to maintain its high quality services with the existing business operation while will be carefully looking forward to diversity the investment portfolio and should suitable business opportunities arise, the management will further look into the investment opportunities for the continuous development of the Group's revenue.

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

As at 30 September 2015, 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)	Personal Interest	6,300,000	0.67%
Mr. Chen Weixi	(2)	Interest of a controlled corporation	294,276,619	31.46%

Notes:

- (1) Mr. Yip Heon Keung is personally interested in 6,300,000 shares of the Company.
- (2) 294,276,619 shares of the Company are held by Dynamic Peak and its entire issued share capital is held as to 80% by Mr. Chen Weixi and as to the remaining 20% by Mr. Xu Zhigang, the chairman of the Company. By virtue of the SFO, Mr. Chen Weixi is deemed to be interested in 294,276,619 shares of the Company held by Dynamic Peak.
- (3) Based on 935,512,500 shares of the Company in issue as at 30 September 2015.

SHARE OPTION SCHEMES

The Company adopts and administers a share option scheme which is currently in force and effect 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 of the Company ("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, 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 quotation sheet 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 quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Company’s share. The offer of a grant of options may be accepted within 21 days from the date of the offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. The exercise period of the options granted is determinable by the Directors, which commences after the date of offer with 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 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 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 Shareholders. The New Scheme does not provide for any minimum period for holding of options or any performance target before exercise of options.

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

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

Name or category of participant	Number of share options ^{***}					Date of share options granted*	Exercise period of share options granted	Exercise price of share options granted** HK\$ per share
	At 1 April 2015	Transferred during the period	Exercised during the period	Lapsed during the period	At 30 September 2015			
Director								
N/A	N/A	—	—	—	N/A			
Other employees of the Group								
In aggregate	200,000	—	(200,000)	—	—	3 April 2008	3 April 2008 to 2 April 2018	0.410
In aggregate	200,000	—	(200,000)	—	—	3 June 2008	3 June 2008 to 2 June 2018	0.417
	<u>400,000</u>	<u>—</u>	<u>(400,000)</u>	<u>—</u>	<u>—</u>			

Options to subscribe for shares of the Company under the New Scheme

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

Name or category of participant	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 2015	Transferred during the period	Exercised during the period	Lapsed during the period	At 30 September 2015			
Directors								
Mr. Yip Heon Keung	1,400,000	—	(700,000)	—	700,000	5 December 2013	5 December 2013 to 4 December 2023	0.165
#Mr. Yip Heon Ping	1,400,000	(700,000)	(700,000)	—	—	5 December 2013	5 December 2013 to 4 December 2023	0.165
	<u>2,800,000</u>	<u>(700,000)</u>	<u>(1,400,000)</u>	<u>—</u>	<u>700,000</u>			
Other employees of the Group								
In aggregate	50,000	—	(37,500)	—	12,500	27 March 2013	27 March 2013 to 26 March 2023	0.162
In aggregate	2,600,000	700,000	(1,300,000)	—	2,000,000	5 December 2013	5 December 2013 to 4 December 2023	0.165
	<u>5,450,000</u>	<u>—</u>	<u>(2,737,500)</u>	<u>—</u>	<u>2,712,500</u>			

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

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

*** There were no share options cancelled during the period.

Mr. Yip Heon Ping has ceased to be a Director of the Company since 17 July 2015 but he is still entitled to his share options to subscribe for 700,000 shares of the Company in his capacity as an employee of the Group.

As at 30 September 2015, the Company had outstanding options to subscribe for up to 2,712,500 shares under the New Scheme.

Save as disclosed above, as at 30 September 2015, 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 September 2015, 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 (4)
Dynamic Peak Limited	(1)	Beneficially owned	294,276,619	31.46%
Right Advance Management Limited	(2)	Beneficially owned	111,000,000	11.87%
Ms. Wang Li Mei	(2)	Interest of a controlled corporation	111,000,000	11.87%
Mr. Wang Leilei	(2)	Interest of a controlled corporation	111,000,000	11.87%
Will City Limited	(3)	Beneficially owned	100,000,000	10.69%
Ms. Zhang Yingnan	(3)	Interest of a controlled corporation	100,000,000	10.69%
Mr. Pei Chuang		Beneficially owned	95,000,000	10.15%

Notes:

- (1) Dynamic Peak is a company incorporated in the British Virgin Islands and its entire issued share capital is held as to 80% by Mr. Chen Weixi and as to the remaining 20% by Mr. Xu Zhigang. Both of them are the Directors.
- (2) 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.
- (3) Will City Limited is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Ms. Zhang Yingnan.
- (4) Based on 935,512,500 shares of the Company in issue as at 30 September 2015.

Save as disclosed above, as at 30 September 2015, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

None of the Directors or the controlling shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) have any interests in a business which competes or may compete with the business of the Group, or has any other conflict of interest with the Group during the period under review.

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

During the six months ended 30 September 2015, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the six months ended 30 September 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 period 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 ("CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. Following the resignation of Ms. Li Luyi as the CEO on 5 February 2015, the appointment of the CEO is still outstanding. Since then, Mr. Yip Heon Keung, the former Chairman of the Board, assumed the post of the acting CEO until 11 August 2015. With effect from 12 August 2015, the Chairman of the Board, Mr. Xu Zhigang assumed the post of the acting CEO during the transitional period until such vacancy is filled up by a suitable candidate. The Board considers that the current arrangement is adequate in view of the size and complexity of the Group's operations. The Board will, nonetheless, review the business growth of the Group and locate suitable candidate to fill the vacancy of the CEO when considered essential and will continue setting out a clear division of responsibilities at the board level and the day-to-day management team to ensure a proper balance of power and authority within the Company.

AUDIT COMMITTEE

The Company established the Audit Committee on 7 March 2000 and has formulated and from time to time amended its written terms of reference in accordance with the provisions set out in the CG Code. The primary duties of the Audit Committee include 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. Poon Yan Wai (Chairman of the Audit Committee), Mr. Xu Xiaoping and Mr. Lam Kwok Cheong and one non-executive Director, Mr. Chen Weixi.

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 remuneration of 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 Mr. Xu Xiaoping (Chairman of the Remuneration Committee) and Mr. Lam Kwok Cheong, and one executive Director, Mr. Xu Zhigang.

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, namely Mr. Xu Zhigang (Chairman of the Nomination Committee) and two independent non-executive Directors, Mr. Xu Xiaoping and Mr. Lam Kwok Cheong.

By Order of the Board
Xu Zhigang
Chairman

Hong Kong, 12 November 2015

As at the date of this announcement, the Board comprises Mr. Xu Zhigang, Mr. Han Jun and Ms. Ding Pingying (all of them are executive Directors); Mr. Chen Weixi and Mr. Yip Heon Keung (both of them are non-executive Director); Mr. Poon Yan Wai, Mr. Xu Xiaoping and Mr. Lam Kwok Cheong (all of them are independent non-executive Directors).

This announcement will remain on the “Latest Company Announcement” page of the GEM website at www.hkgem.com for at least 7 days from the day of its posting and on the Company’s website at www.prosten.com.