



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 2012

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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 2012 amounted to about HK\$35.1 million, representing a 10.9% decrease as compared to the corresponding period in the previous financial year.
- The Group's gross profit for the six months ended 30 September 2012 was about HK\$18.6 million, representing a decrease of about 24.4% compared with the same period of last year.
- Loss attributable to equity holders of the Company for the six months ended 30 September 2012 amounted to about HK\$10.8 million, representing an increase of about HK\$5.2 million compared with the same period of 2011.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2012.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months and three months ended 30 September 2012

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

	Notes	Six months ended 30 September		Three months ended 30 September	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue	3	35,051	39,332	13,282	13,684
Cost of sales		<u>(16,484)</u>	<u>(14,762)</u>	<u>(7,992)</u>	<u>(6,869)</u>
Gross profit		18,567	24,570	5,290	6,815
Other income and gains		822	454	213	331
Selling expenses		(6,639)	(7,295)	(4,756)	(2,983)
Administrative expenses		(20,283)	(21,303)	(7,957)	(9,641)
Other expenses		(3,237)	(2,410)	(1,828)	(1,292)
Finance costs		(74)	(14)	(54)	(13)
Loss before tax	4	(10,844)	(5,998)	(9,092)	(6,783)
Income tax expense	5	<u>26</u>	<u>393</u>	<u>(109)</u>	<u>898</u>
Loss for the period attributable to equity holders of the Company		(10,818)	(5,605)	(9,201)	(5,885)
Other comprehensive income					
Exchange differences on translation of foreign operations		<u>—</u>	<u>32</u>	<u>—</u>	<u>—</u>
Total comprehensive expense for the period		<u>(10,818)</u>	<u>(5,573)</u>	<u>(9,201)</u>	<u>(5,885)</u>
Loss per share attributable to equity holders of the Company	6				
Basic		<u>(HK1.4 cent)</u>	<u>(HK0.7 cent)</u>	<u>(HK1.2 cent)</u>	<u>(HK0.8 cent)</u>
Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2012

	Notes	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	7	3,980	4,043
Investment property		3,570	3,444
Deposits		495	717
Available-for-sale investments		826	826
Goodwill		—	—
Deferred tax assets		1,331	1,303
Total non-current assets		10,202	10,333
CURRENT ASSETS			
Trade receivables	8	16,268	17,176
Prepayments, deposits and other receivables		8,024	7,147
Due from Directors		1,822	—
Pledged deposits	9	12,582	247
Cash and cash equivalents	9	51,788	67,135
Total current assets		90,484	91,705
CURRENT LIABILITIES			
Trade payables	10	3,407	3,407
Other payables and accruals		13,569	14,924
Due to Directors		—	741
Tax payable		4,709	4,708
Short-term bank borrowing, pledged		11,400	—
Total current liabilities		33,085	23,780
NET CURRENT ASSETS		57,399	67,925
TOTAL ASSETS LESS CURRENT LIABILITIES		67,601	78,258
NON-CURRENT LIABILITY			
Deferred tax liability		493	493
NET ASSETS		67,108	77,765
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	11	75,635	75,635
Reserves		(8,527)	2,130
TOTAL EQUITY		67,108	77,765

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2012

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 2012 (audited)	75,635	372,468	3,349	13,612	7,757	(395,056)	2,130	77,765
Loss for the period (unaudited)	—	—	—	—	—	(10,818)	(10,818)	(10,818)
Total comprehensive expense for the period (unaudited)	—	—	—	—	—	(10,818)	(10,818)	(10,818)
Equity-settled share option arrangements (unaudited)	—	—	—	—	161	—	161	161
Transfer of share option reserve on the forfeited share options (unaudited)	—	—	—	—	(237)	237	—	—
At 30 September 2012 (unaudited)	<u>75,635</u>	<u>372,468</u>	<u>3,349</u>	<u>13,612</u>	<u>7,681</u>	<u>(405,637)</u>	<u>(8,527)</u>	<u>67,108</u>
At 1 April 2011 (audited)	75,635	372,468	770	10,311	7,952	(368,040)	23,461	99,096
Loss for the period (unaudited)	—	—	—	—	—	(5,605)	(5,605)	(5,605)
Other comprehensive expense for the period: Exchange differences on translation of foreign operations (unaudited)	—	—	—	32	—	—	32	32
Total comprehensive income/(expense) for the period (unaudited)	—	—	—	32	—	(5,605)	(5,573)	(5,573)
Share options issuance expenses (unaudited)	—	(10)	—	—	—	—	(10)	(10)
Equity-settled share option arrangements (unaudited)	—	—	—	—	426	—	426	426
Transfer of share option reserve on the forfeited share options (unaudited)	—	—	—	—	(209)	209	—	—
At 30 September 2011 (unaudited)	<u>75,635</u>	<u>372,458</u>	<u>770</u>	<u>10,343</u>	<u>8,169</u>	<u>(373,436)</u>	<u>18,304</u>	<u>93,939</u>

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 Group's entities which are registered in the PRC has been transferred to the statutory surplus reserve fund which is restricted as to use. When the balance of such reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilized, 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 2012

	Six months ended	
	30 September	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash flows from/(used in) operating activities	(14,160)	15,993
Net cash flows used in investing activities	(178)	(353)
Net cash flows used in financing activities	(1,009)	(76)
Net increase/(decrease) in cash and cash equivalents	(15,347)	15,564
Cash and cash equivalents at beginning of period	67,135	33,937
Effect of foreign exchange rate changes, net	—	32
Cash and cash equivalents at end of period	<u>51,788</u>	<u>49,533</u>
Analysis of cash and cash equivalents		
Cash and bank balances	49,322	45,993
Non-pledged time deposits with original maturity of less than three months when acquired	<u>2,466</u>	<u>3,540</u>
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	<u>51,788</u>	<u>49,533</u>

Notes:

1. Basis of Preparation

The Group's unaudited consolidated financial statements 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 and accounting principles generally accepted in Hong Kong. In addition, the unaudited consolidated financial statements include applicable disclosures required by 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 condensed consolidated financial statements are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 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 condensed consolidated financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on the Group's results of operations and financial position.

The unaudited condensed consolidated financial statements have not been audited nor reviewed by the Company's auditors. The unaudited condensed consolidated financial statements have been reviewed by the audit committee of the Company.

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 2012, revenues of approximately HK\$13,618,000 (2011: HK\$17,469,000) and HK\$9,490,000 (2011: HK\$13,340,000) were derived from services rendered to two customers.

3. Revenue

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

4. Loss Before Tax

The Group's loss before tax is arrived at after charging:

	Six months ended		Three months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation	698	1,133	394	455
Minimum lease payments under operating leases:				
Land and buildings	980	1,344	588	654
Motor vehicles	111	—	68	—
Employee benefit expense	<u>14,679</u>	<u>16,182</u>	<u>7,031</u>	<u>7,266</u>

5. Income Tax Expense

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

	Six months ended		Three months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current — Elsewhere				
Credit for the period	—	—	—	(708)
Deferred debited/(credited)	<u>(26)</u>	<u>(393)</u>	<u>109</u>	<u>(190)</u>
Total tax charge/(credit) for the period	<u>(26)</u>	<u>(393)</u>	<u>109</u>	<u>(898)</u>

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

The calculations of basic loss per share amount for the six months and three months ended 30 September 2012 were based on the loss for the periods attributable to ordinary equity holders of the Company of about HK\$10,818,000 (six months ended 30 September 2011: HK\$5,605,000) and about HK\$9,201,000 (three months ended 30 September 2011: HK\$5,885,000) respectively, and the weighted average number of ordinary shares of 756,355,000 in issue for the six months ended 30 September 2012 (six months ended 30 September 2011: 756,355,000) and 756,355,000 in issue for the three months ended 30 September 2012 (three months ended 30 September 2011: 756,355,000).

Diluted loss per share for the periods has not disclosed as no dilutive potential equity shares in existence at end of each reporting periods.

7. Property, Plant and Equipment

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

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Net book value, at beginning of period/year	4,043	4,527
Additions for the period/year	635	1,573
Write-off for the period/year	—	(66)
Depreciation for the period/year	(698)	(2,104)
Exchange realignment for the period/year	<u>—</u>	<u>113</u>
Net book value, at end of period/year	<u><u>3,980</u></u>	<u><u>4,043</u></u>

8. Trade Receivables

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Trade receivables	16,756	17,664
Impairment allowances	(488)	(488)
	<u>16,268</u>	<u>17,176</u>

The Group's trade receivables, which generally have credit terms of one month to three months pursuant to the provisions of the relevant contracts, are recognised and carried at the original invoice amount, and an estimate of impairment allowance for trade receivables is made and deducted when collection of the full amount is no longer probable. There is a significant concentration of credit risk as over 17% (31 March 2012: 39%) of the balance represented a receivable from one customer. Trade receivables are unsecured and non-interest-bearing.

An aged analysis of the trade receivables that are not considered to be impaired, based on the due date, is as follows:

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Neither past due nor impaired	9,183	133
Less than 1 month past due	2,021	—
1 to 3 months past due	1,260	14,940
4 to 6 months past due	616	1,728
7 to 12 months past due	2,814	229
Past due for more than 12 months	374	146
	<u>16,268</u>	<u>17,176</u>

Receivables that were neither past due nor impaired relate to several customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of customers that have good repayment record with the Group. Based on past experience, the Directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

9. Cash and Cash Equivalents and Pledged Deposits

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Cash and bank balances	49,322	64,669
Time deposits	<u>15,048</u>	<u>2,713</u>
	64,370	67,382
Less: Pledged time deposits in respect of banking facilities to the Group	<u>(12,582)</u>	<u>(247)</u>
Cash and cash equivalents	<u>51,788</u>	<u>67,135</u>

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 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
7 to 12 months	—	268
Over 12 months	<u>3,407</u>	<u>3,139</u>
	<u>3,407</u>	<u>3,407</u>

11. Share Capital

	30 September 2012		31 March 2012	
	Number of shares	HK\$'000 (Unaudited)	Number of shares	HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.10 (31 March 2012: HK\$0.10) each	<u>2,500,000,000</u>	<u>250,000</u>	<u>2,500,000,000</u>	<u>250,000</u>
Issued and fully paid:				
Ordinary shares of HK\$0.10 (31 March 2012: HK\$0.10) each				
At beginning of period/year and at end of period/year	<u>756,355,000</u>	<u>75,635</u>	<u>756,355,000</u>	<u>75,635</u>

12. Commitments

(a) Operating lease arrangements

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

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

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Land and buildings:		
Within one year	3,472	2,380
In the second to fifth years, inclusive	<u>344</u>	<u>4</u>
	3,816	2,384
Motor vehicles:		
Within one year	<u>88</u>	<u>59</u>
	<u>3,904</u>	<u>2,443</u>

(b) Capital commitments

The Group had no significant capital commitment at the end of the reporting period (31 March 2012: nil).

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

During the recent years, the provision of the Group's wireless music search services (the "WMS Services") via the network of China Mobile Limited ("China Mobile") remained as the major sources of revenue of the Group. During the first six months of 2012, the telecommunication markets in the Mainland China remained very competitive. During the six months ended 30 September 2012 ("2012

Interim Period”), the Group recorded consolidated revenue of about HK\$35.1 million. It represents a decrease of about 10.9% from the revenue of about HK\$39.3 million during the six months ended 30 September 2011 (“2011 Interim Period”).

As mentioned in the previous reports and announcements, a cooperation agreement (“Cooperation Agreement”) previously made between the Group and a subsidiary of China Mobile in respect of the Group’s provision of WMS Services expired in early July 2011. Following its expiry, the Group continued to provide WMS Services from early July 2011 to date of this announcement.

On 6 July 2012, a new agreement (“Service Agreement”) was signed between the Group and a subsidiary of China Mobile in connection with the provision of operational support services covering the period from July 2011 to July 2012. Pursuant to the Service Agreement, the Group agreed with China Mobile (through its subsidiary) on a different charging model regarding the Group’s provision of WMS Services and the Group would charge China Mobile a fixed operational support service fee (subject to adjustment) for its services rendered. Please refer to the Company’s announcement dated 6 July 2012 for further details. Income in respect of the Group’s services under the Service Agreement and up to 30 September 2012 was recorded during the 2012 Interim Period. Such income was lower than that from the Cooperation Agreement for the 2011 Interim Period which led to the decrease in revenue in the 2012 Interim Period.

Following the Group’s business objective of being a comprehensive wireless digital entertainment service provider, the Group has diversified to new services and products such as wireless reading services, etc and several other new products which started generating revenue in the 2012 Interim Period that partially alleviate the decrease in revenue.

Cost of Sales and Gross Profit

Due to highly competitive business environment and the introduction of new services and products, cost of sales for 2012 Interim Period increased by 11.7% to about HK\$16.5 million (2011 Interim Period: HK\$14.8 million).

As a result of the decrease in the Group’s revenue and the development of new services and products recorded lower profit margins, gross profit for the 2012 Interim Period was about HK\$18.6 million (2011 Interim Period: HK\$24.6 million), representing a decrease of 24.4%.

Overall Operating Expenses

Overall operating expenses including selling, administrative and other expenses for the six months ended 30 September 2012 amounted to about HK\$30.2 million, decreased by about HK\$0.8 million compared to about HK\$31.0 million in the same period of last year.

Selling expenses amounted to about HK\$6.6 million for the 2012 Interim Period, representing a decrease of about HK\$0.7 million as compared to about HK\$7.3 million for the 2011 Interim Period. The decrease was mainly due to the decrease in staff costs of selling department and business entertainment expenses.

Administrative expenses for the six months ended 30 September 2012 amounted to about HK\$20.3 million, represented a decrease of about HK\$1.0 million as compared to about HK\$21.3 million for the six months ended 30 September 2011. The decrease was mainly due to the decrease in administrative staff costs including directors' remuneration.

Other expenses for the 2012 Interim Period amounted to about HK\$3.2 million, representing an increase of about HK\$0.8 million as compared to the 2011 Interim Period of about HK\$2.4 million. The increase was due to increase in staff cost of research and development.

Other Income and Gains

Other income and gains increased by about HK\$0.3 million to about HK\$0.8 million for the six months ended 30 September 2012 from about HK\$0.5 million for six months ended 30 September 2011. The increase was mainly due to the increases in interest income and fair value gain adjustment for investment properties.

Loss Attributable to Equity Holders of the Company

Due to a combination of the effects stated above, loss attributable to equity holders of the Company for the 2012 Interim Period increased to about HK\$10.8 million as compared with about HK\$5.6 million in the 2011 Interim Period.

Financial Position

The Group has remained at a sound financial position. As at 30 September 2012, the total equity of the Group amounted to about HK\$67.1 million (31 March 2012: HK\$77.8 million) and the Group's net current assets amount to about HK\$57.4 million (31 March 2012: HK\$67.9 million). The current ratio, which is calculated by dividing current assets by current liabilities as at 30 September 2012 was 2.7 (31 March 2012: 3.9). The decreases of the Group's total equity, net current assets and current ratio were mainly due to the loss incurred during the 2012 Interim Period.

Financial and Liquidity Resources

During the 2012 Interim Period, the Group financed its operations mainly with its revenue from operating activities and a new bank loan. As at 30 September 2012, the Group had cash and cash equivalents of about HK\$51.8 million (31 March 2012: HK\$67.1 million). During the 2012 Interim Period, the Group has a new bank loan of about HK\$11.4 million (31 March 2012: nil), which is repayable in one year and denominated in Hong Kong dollars. The new bank loan was undertaken by a

deposit at bank of about HK\$12.3 million. As at 30 September 2012, the gearing ratio of the Group (total bank borrowings over total equity) was 17.0% (31 March 2012: nil). There was no seasonality as to the Group's borrowing requirements or committed borrowing facilities.

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise costs of funds, the Group's treasury activities are centralized and cash is generally placed on deposits, denominated mostly in Renminbi and Hong Kong dollars.

Foreign Currency Exchange Exposure and Treasury Policies

As most of the Group's trading transactions, monetary assets and liabilities are denominated in Renminbi and Hong Kong dollars, the impact of the foreign exchange exposure of the Group was minimal and there was no significant adverse effect on the normal operations. As at 30 September 2012, no hedges were made by the Group (31 March 2012: nil).

Significant Investments, Acquisitions or Disposals

There were no significant investments or material acquisitions or disposals by the Company during the period under review.

Contingent Liabilities

As at 30 September 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 six-month period under review.

Employees and Remuneration Policy

As at 30 September 2012, the Group had a total of 127 employees (31 March 2012: 113) and total employee benefit expense for the six months ended 30 September 2012 was about HK\$14.7 million (six months ended 30 September 2011: HK\$16.2 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 staff training.

Business Review and Outlook

In the second quarter, the Group continued to develop new strategies and diversified its mobile recreation services. While achieving significant progress in the development of new business line, wireless reading services and personal recreation information services both showed good growth momentum in terms of revenue and user base.

Due to the unfavourable impacts of the telecommunication operators' policies, revenue from wireless music search services continued to fall. On the contrary, revenue from wireless reading grew substantially, and has been increasing during this quarter and the first half of the financial year.

Looking forward, under the impacts of the above policies, the management expects that the business of the Group for the second half of the financial year will prolong its trend in the first half. Amid challenging operating environment of the mobile value-added service industry, telecommunication operations will continue to strengthen the management of their value-added business partners, introduce more restrictive and unfavourable policies that affect the revenue from music business.

In the third quarter of the current financial year, the Group will continue to actively expand its new business and step up its efforts in strengthening the cooperation with more domestic and international telecommunication operators which specialise in mobile internet services. At the same time, the Group will endeavour to expand the user base and income base of non-music mobile internet services. The Group will focus on increasing the revenue from wireless reading services, continue to expand the market share of wireless music search services, and maintain its leading position in the paying wireless music search user market.

Overall, the Group will keep on accelerating the development of diversified businesses and focusing on supporting its new business. As to its existing and traditional businesses, the Group will further strengthen the co-operation with a number of telecommunication operators locally and abroad, expand the portfolio operation supporting projects and enhance the co-operation and cohesion among existing operation supporting projects within its service scope. In addition, the Group will step up its efforts in the sales and marketing of existing co-operation businesses and enhance the quality level of refined operations to explore user resources more intensively.

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

As at 30 September 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 September 2012.

SHARE OPTION SCHEMES

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company's original share option scheme was approved by the shareholders on 7 March 2000 (the "2000 Scheme"), and was terminated and replaced by a share option scheme approved by the shareholders on 9 April 2002 (the "2002 Scheme"). The 2002 Scheme was terminated and replaced by a new share option scheme approved by the shareholders on 5 August 2011 (the "New Scheme"). 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.

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

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

Name or category of participant	Number of share options				At 30 September 2012	Date of share options granted*	Exercise period of share options granted	Exercise price of share options granted** HK\$ per share
	At 1 April 2012	Granted during the period	Exercised during the period	Lapsed during the period				
Director								
Ms. Li Luyi	4,000,000	—	—	—	4,000,000	9 February 2010	9 February 2010 to 8 February 2020	0.660
	2,500,000	—	—	—	2,500,000	23 November 2010	23 November 2010 to 22 November 2020	0.270
	<u>6,500,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,500,000</u>			
Other employees of the Group								
In aggregate	250,000	—	—	(250,000)	—	22 May 2002	22 May 2002 to 21 May 2012	0.260
In aggregate	100,000	—	—	—	100,000	26 March 2004	26 March 2004 to 25 March 2014	0.100
In aggregate	700,000	—	—	—	700,000	10 May 2006	10 May 2006 to 9 May 2016	0.170
In aggregate	2,340,000	—	—	—	2,340,000	9 February 2010	9 February 2010 to 8 February 2020	0.660
In aggregate	500,000	—	—	(500,000)	—	11 March 2010	11 March 2010 to 10 March 2020	0.610
In aggregate	2,300,000	—	—	(300,000)	2,000,000	23 November 2010	23 November 2010 to 22 November 2020	0.270

Name or category of participant	Number of share options				At 30 September 2012	Date of share options granted*	Exercise period of share options granted	Exercise price of share options granted** HK\$ per share
	At 1 April 2012	Granted during the period	Exercised during the period	Lapsed during the period				
Others								
In aggregate	200,000	—	—	—	200,000	26 March 2004	26 March 2004 to 25 March 2014	0.100
In aggregate	2,000,000	—	—	—	2,000,000	24 June 2005	24 June 2005 to 23 June 2015	0.100
In aggregate	1,000,000	—	—	—	1,000,000	29 June 2006	29 June 2006 to 28 June 2016	0.380
In aggregate	5,000,000	—	—	—	5,000,000	6 July 2007	1 October 2008 to 5 July 2017	0.396
In aggregate	9,200,000	—	—	—	9,200,000	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>30,290,000</u>	<u>—</u>	<u>—</u>	<u>(1,050,000)</u>	<u>29,240,000</u>			

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

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

As at 30 September 2012, the Company had outstanding options to subscribe for up to 29,240,000 shares under the 2002 Scheme and no options were granted under the New Scheme.

Save as disclosed above, as at 30 September 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 September 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%
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 September 2012.

Save as disclosed above, as at 30 September 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 six months ended 30 September 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 six months ended 30 September 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, 8 November 2012

As at the date of this announcement, the Board comprises Mr. Yip Heon Keung, Mr. Yip Heon Ping and Ms. Li Luyi (all of them are executive Directors); Mr. Chen Xiaoxin and Mr. Mah Yong Sun (both of them are non-executive Directors); Mr. Tam Chun Wan, Ms. Tse Yuet Ling, Justine and Ms. Lai May Lun (all of them are independent non-executive Directors).

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