



PROSTEN TECHNOLOGY HOLDINGS LIMITED

長達科技控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8026)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

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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 nine months ended 31 December 2012 amounted to about HK\$46.9 million, representing a 14.1% decrease as compared to the corresponding period in the previous financial year.
- The Group's gross profit for the nine months ended 31 December 2012 was about HK\$22.8 million, decreased by about HK\$8.3 million compared with the same period of last year.
- Loss attributable to equity holders of the Company for the nine months ended 31 December 2012 amounted to about HK\$21.6 million, which represented an increase in loss of about HK\$8.3 million compared with the same period of 2011.
- The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2012.

UNAUDITED CONSOLIDATED RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months and three months ended 31 December 2012 together with the unaudited comparative figures for the corresponding periods in 2011 as follows:

	Notes	Nine months ended 31 December		Three months ended 31 December	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue	2	46,865	54,607	11,814	15,275
Cost of sales		<u>(24,098)</u>	<u>(23,553)</u>	<u>(7,613)</u>	<u>(8,791)</u>
Gross profit		22,767	31,054	4,201	6,484
Other income and gains		1,622	848	800	394
Selling expenses		(11,874)	(9,482)	(5,236)	(2,187)
Administrative expenses		(29,130)	(32,502)	(8,847)	(11,199)
Other expenses		(4,596)	(3,634)	(1,359)	(1,224)
Finance costs		<u>(180)</u>	<u>(114)</u>	<u>(106)</u>	<u>(100)</u>
Loss before tax		(21,391)	(13,830)	(10,547)	(7,832)
Income tax expense	3	<u>(209)</u>	<u>572</u>	<u>(235)</u>	<u>179</u>
Loss for the period attributable to equity holders of the Company		(21,600)	(13,258)	(10,782)	(7,653)
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>(21,600)</u>	<u>(13,226)</u>	<u>(10,782)</u>	<u>(7,653)</u>
Loss per share attributable to ordinary equity holders of the Company	4				
Basic		<u>HK(2.9) cents</u>	<u>HK(1.8) cents</u>	<u>HK(1.4) cents</u>	<u>HK(1.0) cent</u>
Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</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 Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost convention, except for investment property, which has been measured at fair value. These unaudited consolidated results are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies applied in the preparation of the unaudited consolidated results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2012, except that the Group has adopted a number of new and revised HKFRSs, which are newly effective for the period under review. The adoption of these new and revised HKFRSs had no significant financial effect on the financial results for the current period. Accordingly, no significant change in accounting policies and no prior period adjustment is required.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective in the preparation of these unaudited consolidated results. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on the Group's results of operations and financial position.

The unaudited consolidated results have been reviewed by the audit committee of the Company.

2. Revenue

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

3. Income Tax Expense

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the nine months and three months ended 31 December 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.

	Nine months ended		Three months ended	
	31 December		31 December	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current — Elsewhere				
Charge for the period	7	6	7	6
Deferred debited/(credited)	<u>202</u>	<u>(578)</u>	<u>228</u>	<u>(185)</u>
Total tax charge/(credit) for the period	<u><u>209</u></u>	<u><u>(572)</u></u>	<u><u>235</u></u>	<u><u>(179)</u></u>

4. Loss Per Share Attributable to Ordinary Equity Holders of the Company

The calculations of the basic loss per share for the nine months and three months ended 31 December 2012 are based on the loss for the period attributable to ordinary equity holders of the Company of about HK\$21,600,000 (nine months ended 31 December 2011: HK\$13,258,000) and about HK\$10,782,000 (three months ended 31 December 2011: HK\$7,653,000) respectively, and the weighted average number of ordinary shares of 756,355,000 for the nine months ended 31 December 2012 (nine months ended 31 December 2011: 756,355,000) and 756,355,000 for the three months ended 31 December 2012 (three months ended 31 December 2011: 756,355,000) in issue during the periods.

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

5. Reserves

	Share premium account <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i>	Foreign currency translation reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2012 (audited)	372,468	3,349	13,612	7,757	(395,056)	2,130
Loss for the period (unaudited)	—	—	—	—	(21,600)	(21,600)
Total comprehensive expense for the period (unaudited)	—	—	—	—	(21,600)	(21,600)
Equity-settled share option arrangements (unaudited)	—	—	—	264	—	264
Transfer of share option reserve on the forfeited share options (unaudited)	—	—	—	(237)	237	—
At 31 December 2012 (unaudited)	<u>372,468</u>	<u>3,349</u>	<u>13,612</u>	<u>7,784</u>	<u>(416,419)</u>	<u>(19,206)</u>
At 1 April 2011 (audited)	372,468	770	10,311	7,952	(368,040)	23,461
Loss for the period (unaudited)	—	—	—	—	(13,258)	(13,258)
Other comprehensive income for the period: Exchange differences on translation of foreign operations (unaudited)	—	—	32	—	—	32
Total comprehensive income/(expense) for the period (unaudited)	—	—	32	—	(13,258)	(13,226)
Share options issuance expenses (unaudited)	(10)	—	—	—	—	(10)
Equity-settled share option arrangements (unaudited)	—	—	—	676	—	676
Transfer of share option reserve on the forfeited share options (unaudited)	—	—	—	(1,038)	1,038	—
At 31 December 2011 (unaudited)	<u>372,458</u>	<u>770</u>	<u>10,343</u>	<u>7,590</u>	<u>(380,260)</u>	<u>10,901</u>

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover

During the period under review, revenue from the wireless value added services remained as one of the Group's major sources of income. During the nine months ended 31 December 2012 ("2012 Q3"), the Group recorded revenue of about HK\$46.9 million, representing a 14.1% decrease as compared to that for the nine months ended 31 December 2011 ("2011 Q3").

As mentioned in the previous reports and announcements of the Company, a cooperation agreement ("Cooperation Agreement") made between the Group and a subsidiary of China Mobile Limited ("China Mobile") regarding the Group's wireless music search services ("WMS Services") provided via China Mobile network expired in early July 2011. Following the expiry of the Cooperation Agreement, the Group continued to provide WMS Services to China Mobile from July 2011 up to the date of this announcement.

After prolonged discussions, in early July 2012, a new operational supporting services agreement ("Service Agreement") was signed between the Group and China Mobile (through its subsidiary) covering the period from July 2011 to July 2012. Pursuant to the Service Agreement, both parties have agreed on a new charging model for the Group's WMS Services for which the Group would receive a fixed operational support service fee (subject to adjustment) from China Mobile. Income in respect of the Group's WMS Services under the Service Agreement and up to 31 December 2012 was recorded during the 2012 Q3. Such income was lower than that received by the Group under the Cooperation Agreement for the 2011 Q3 which led to the decrease in revenue in the 2012 Q3. The Service Agreement has already been renewed.

For further details of the Cooperation Agreement, the Service Agreement and their financial impacts to the Group, please refer to the Company's previous results announcements and announcements dated 27 October 2011, 25 November 2011, 20 January 2012, 31 May 2012, 6 July 2012, 31 July 2012 and 1 November 2012.

Over the recent years, measures implemented by the mobile operators in the People's Republic of China ("PRC") continued to impact most of the market players of value added services industry. As a result, the Group's revenue for the three months ended 31 December 2012 dropped by about 22.7% to about HK\$11.8 million as compared to about HK\$15.3 million for the three months ended 31 December 2011. In response to such challenges, the Group has launched new products and businesses and has

commenced to record income from such new products and businesses in the 2012 Q3. Though the diversification made so far has not reversed the drop in revenue, such reform has widened the sources of income of the Group that would benefit the Group in the long run.

Cost of Sales and Gross Profit

As a result of rigorous competition in the value added services industry and the introduction of new products and businesses, cost of sales for the 2012 Q3 increased by about 2.3% to about HK\$24.1 million as compared to about HK\$23.6 million for the 2011 Q3.

Cost of sales for the three months ended 31 December 2012 has decreased by about HK\$1.2 million to about HK\$7.6 million as compared to about HK\$8.8 million for the three months ended 31 December 2011. The decrease was due to reduction in operating size of one of the new products in 2012 Q3, which had relatively high cost. The Group has also reduced its cost for rendering WMS Services in this quarter as compared with the same period of last year.

The gross profit for the nine months and three months ended 31 December 2012 dropped to about HK\$22.8 million and HK\$4.2 million respectively, representing decreases of about HK\$8.3 million and HK\$2.3 million respectively, as compared with the corresponding periods last year.

Selling Expenses, Administrative Expenses and other Expenses

During the 2012 Q3, selling expenses increased by about 25.2% from about HK\$9.5 million for the 2011 Q3 to about HK\$11.9 million. The increase was mainly caused by the increase in promotional activities and business development.

Administrative expenses for the 2012 Q3 amounted to about HK\$29.1 million, representing a decrease of about HK\$3.4 million as compared to about HK\$32.5 million for the 2011 Q3. The decrease was mainly due to tighter cost control during the 2012 Q3.

Other expenses for the 2012 Q3 amounted to about HK\$4.6 million, representing an increase of about HK\$1.0 million as compared to the 2011 Q3 of about HK\$3.6 million. The increase was due to the increase in staff cost of research and development.

The same trends were noted for selling, administrative and other expenses for the three months ended 31 December 2012.

Other Income and Gains

Other income and gains increased by about HK\$0.8 million to about HK\$1.6 million for the nine-month period ended 31 December 2012, and increased by about HK\$0.4 million to about HK\$0.8 million for the three-month period ended 31 December 2012 as compared with the corresponding periods last year. Such increases were mainly due to an increase in fair value gain for investment property.

Due to a combination of the effects stated above, loss attributable to equity holders of the Group has increased by about HK\$8.3 million from about HK\$13.3 million for the 2011 Q3 to about HK\$21.6 million for the 2012 Q3.

Financial Position

The Group has remained at a sound financial position. As at 31 December 2012, the total equity of the Group amounted to about HK\$56.4 million (31 March 2012: about HK\$77.8 million) and the Group's net current assets amounted to about HK\$47.3 million (31 March 2012: about HK\$67.9 million). The current ratio, which is calculated by dividing current assets by current liabilities as at 31 December 2012 was about 2.3 (31 March 2012: about 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 Q3.

Financial and Liquidity 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, denominated mostly in Renminbi and Hong Kong dollars.

During the 2012 Q3, the Group financed its operations mainly with its revenue from operating activities and a new bank loan. As at 31 December 2012, the Group had cash and cash equivalents of about HK\$42.9 million (31 March 2012: about HK\$67.1 million). During the 2012 Q3, the Group has a new bank loan of about HK\$11.4 million (31 March 2012: nil) which is denominated in Hong Kong dollars and repayable within one year. The bank loan is undertaken by a deposit at bank of about RMB10.0 million (31 March 2012: nil). As at 31 December 2012, the gearing ratio of the Group (total bank borrowings over total equity) was about 20.2% (31 March 2012: nil). There was no seasonality as to the Group's borrowing requirements and no other committed borrowing facilities.

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 31 December 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 31 December 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 nine-month period under review.

Business Review and Outlook

In the third quarter of 2012, the Group continued to implement new strategies that focus on the operational supporting project of the wireless music search jointly run with China Mobile, while initiating diversified development of its digital entertainment business. During this quarter, the Group has introduced several music and non-music type user-end application program services, which led to a strong growth momentum of the number of new users.

During this quarter, restrictive policies promulgated by telecommunication operators have imposed a more negative impact on the operating environment of the entire mobile value-added service industry that made it even more challenging. In addition, they introduced additional measures to adjust their cooperation models and commercial terms with the value-added services market players, which would continue to reduce the average revenue generated from the mobile value-added services per user. On the other hand, revenue from the non-music entertainment business developed by the Group continued to increase, in particular wireless reading services. The user base of the Group's personal entertainment information services has maintained a remarkable growth impetus.

During the fourth quarter of the current financial year, the Group will continue to expand its new business by focusing on elevating revenue from wireless reading services and the number of users of user-end application program services. At the same time, the Group will continue to improve its market share of WMS Services in order to maintain its leading position in the paid wireless music search market.

Looking forward, the Group will keep on accelerating its transformation in line with the two-pronged strategy of building on the legacy of close cooperation with the telecommunication operators and developing new businesses. Moreover, it will use the operational support of WMS Services provided to China Mobile as the core cooperation model and extend the cooperation in sales and marketing of music. In order to speed up the commercialisation of operational supporting projects which are run in collaboration with other domestic and overseas telecommunication operators, the Group will initiate a series of new telecommunication operator-oriented operational supporting projects. At the same time, the Group will also speed up the development of the new business of integrated personal entertainment services to expand several user-end application markets and increase the user base as well as income.

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

As at 31 December 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 is held by Greenford as a trustee mentioned above. The entire issued share capital in Greenford is held by Mr. Yip Heon Ping.
- (3) Based on 756,355,000 shares of the Company in issue as at 31 December 2012.

Long positions in underlying shares of the Company

Share Options

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

approved by the shareholders on 5 August 2011 (the “New Scheme”). The options granted under the 2000 Scheme, which were not exercised or terminated or expired previously, 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 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 shall not exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with an aggregate value in excess of HK\$5 million must be approved in advance by the Company's shareholders. The New Scheme does not provide for any minimum period for holding of options or any performance target before exercise of options.

The following Director was granted share options under the 2002 Scheme to subscribe for shares of the Company, details of which are as follows:

Name of Director	Number of share options				Date of share options granted	Exercise period of share options granted	Exercise price of share options granted <i>HK\$ per share</i>
	At 1 April 2012	Exercised during the period	Lapsed during the period	At 31 December 2012			
Ms. Li Luyi	4,000,000	—	—	4,000,000	9 February 2010	9 February 2010 to 8 February 2020	0.66
	2,500,000	—	—	2,500,000	23 November 2010	23 November 2010 to 22 November 2020	0.27
	<u>6,500,000</u>	<u>—</u>	<u>—</u>	<u>6,500,000</u>			

As at 31 December 2012, the Company had outstanding options to subscribe for up to 29,240,000 shares of the Company under the 2002 Scheme and no options were granted under the New Scheme.

Save as disclosed above, as at 31 December 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 31 December 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 31 December 2012.

Save as disclosed above, as at 31 December 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 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 nine months ended 31 December 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 nine months ended 31 December 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, 4 February 2013

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.