PROSTEN TECHNOLOGY HOLDINGS LIMITED
長達科技控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8026)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2009

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities trade on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *For identification purpose only*

HIGHLIGHTS

- This year was the second consecutive year in which the Group has achieved a growth in revenue and maintained its profitable position. Revenue for the year ended 31 March 2009 amounted to HK$109,477,000, representing a 31% growth as compared to last year.
- The profit attributable to equity holders of the Company for the year ended 31 March 2009 amounted to HK$15,636,000, as compared to HK$26,487,000 in the previous financial year.
- The Group attained gross profit of HK$90,128,000 for the year ended 31 March 2009, representing an increase by HK$16,658,000 or 23% as compared to last year.
- Excluding the impact of fair value gain on convertible bonds which amounted to HK$4,827,000, the profit attributable to equity holders of the Company for the year under review would have been shown as HK$10,809,000.
- The Board does not recommend the payment of any dividend for the year ended 31 March 2009.

RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2009 together with the comparative audited figures for the year ended 31 March 2008 as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	3	**109,477**	83,339
Cost of sales		**(19,349)**	(9,869)
Gross profit		**90,128**	73,470
Other income and gains	3	**2,418**	8,844
Selling expenses		**(24,697)**	(8,751)
Administrative expenses		**(41,194)**	(25,515)
Other expenses		**(10,272)**	(7,854)
Fair value gain on derivative component of convertible bonds		**4,827**	7,745
Finance costs	4	**(13)**	(23,580)
Profit before tax	5	**21,197**	24,359
Tax	6	**(5,561)**	2,128
Profit for the year attributable to equity holders of the Company		**15,636**	26,487
Earnings per share attributable to equity holders of the Company	7		
Basic		**HK2.6 cents**	HK4.4 cents
Diluted		**HK1.7 cents**	HK4.2 cents

CONSOLIDATED BALANCE SHEET
31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,900**	4,140
Investment property		**1,888**	2,408
Deposits		**1,253**	222
Available-for-sale investments		**796**	786
Deferred tax assets		**8,377**	10,600
Total non-current assets		**17,214**	18,156
CURRENT ASSETS			
Trade receivables	*9*	**17,500**	42,361
Prepayments, deposits and other receivables		**5,824**	6,249
Equity investments at fair value through profit or loss		**1,911**	3,162
Due from Directors		**856**	142
Pledged deposits		**156**	—
Cash and cash equivalents		**81,771**	33,202
Total current assets		**108,018**	85,116
CURRENT LIABILITIES			
Trade payables	*10*	**2,838**	2,840
Other payables, deposits received and accruals		**16,762**	9,673
Finance lease payables		**130**	—
Tax payable		**4,617**	8,805
Convertible bonds		**36,000**	36,000
Embedded financial derivative		**3,792**	8,619
Total current liabilities		**64,139**	65,937
NET CURRENT ASSETS		**43,879**	19,179
TOTAL ASSETS LESS CURRENT LIABILITIES		**61,093**	37,335
NON-CURRENT LIABILITIES			
Finance lease payables		**197**	—
Deferred tax liabilities		**1,160**	—
Total non-current liabilities		**1,357**	—
Net assets		**59,736**	37,335
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*11*	**59,767**	59,727
Reserves		**(31)**	(22,392)
Total equity		**59,736**	37,335

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2009

	Attributable to equity holders of the Company							
	Issued capital	Share premium account	Statutory reserve fund	Foreign currency translation reserve	Share option reserve	Accumulated losses	Sub-total	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008	59,727	348,808	53	5,436	2,533	(379,222)	(22,392)	37,335
Exchange differences arising on consolidation of overseas subsidiaries	—	—	—	2,510	—	—	2,510	2,510
Total income and expense recognised directly in equity	—	—	—	2,510	—	—	2,510	2,510
Profit for the year	—	—	—	—	—	15,636	15,636	15,636
Total income and expense for the year	—	—	—	2,510	—	15,636	18,146	18,146
Issue of shares	40	126	—	—	—	—	126	166
Equity-settled share option arrangements	—	—	—	—	4,089	—	4,089	4,089
Transfer of share option reserve on the forfeited share options	—	—	—	—	(17)	17	—	—
At 31 March 2009	59,767	348,934	53	7,946	6,605	(363,569)	(31)	59,736
At 1 April 2007	59,237	348,159	53	1,926	1,204	(405,936)	(54,594)	4,643
Exchange differences arising on consolidation of overseas subsidiaries	—	—	—	3,510	—	—	3,510	3,510
Total income and expense recognised directly in equity	—	—	—	3,510	—	—	3,510	3,510
Profit for the year	—	—	—	—	—	26,487	26,487	26,487
Total income and expense for the year	—	—	—	3,510	—	26,487	29,997	29,997
Issue of shares	490	649	—	—	—	—	649	1,139
Equity-settled share option arrangements	—	—	—	—	1,556	—	1,556	1,556
Transfer of share option reserve upon the lapse of share options	—	—	—	—	(227)	227	—	—
At 31 March 2008	59,727	348,808	53	5,436	2,533	(379,222)	(22,392)	37,335

Notes:

1. BASIS OF PREPARATION

The 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 ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the GEM Listing Rules and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an investment property, derivative financial instruments and equity investments, which have been measured at fair value. These consolidated results are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated results include the results of the Group for the year ended 31 March 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's consolidated results.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures — Reclassification of Financial Assets
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new interpretations and amendments has had no significant financial effect on the consolidated results.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective in the consolidated results.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[2]
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment — Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments[1]
HKFRS 8	Operating Segments[1]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items[2]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement — Eligible Hedged Items[5]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[1]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[4]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[2]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 July 2008
4 Effective for annual periods beginning on or after 1 October 2008
5 Effective for annual periods ending on or after 30 June 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 7 Amendments, HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of services rendered during the year, and business tax, where applicable.

An analysis of revenue, other income and gains is as follows:

	2009	2008
	HK$'000	*HK$'000*
Revenue		
Services income	**109,477**	83,339
Other income		
Bank interest income	**975**	475
Investment income	**570**	1,020
Write back of trade payables	**73**	5,887
Others	**625**	236
	2,243	7,618
Gains		
Gain on disposal of items of property, plant and equipment	**175**	15
Gain on disposal of equity investments at fair value through profit or loss	**—**	246
Fair value gain on an investment property	**—**	965
	175	1,226
	2,418	8,844

4. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on bank overdrafts	**—**	16
Imputed interest on convertible bonds	**—**	23,564
Interest on a finance lease	**13**	—
	13	23,580

5. PROFIT BEFORE TAX

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

	2009	2008
	HK$'000	*HK$'000*
Cost of services provided*	**19,349**	9,869
Depreciation	**2,316**	1,871
Minimum lease payments under operating leases:		
Land and buildings	**5,704**	5,264
Motor vehicles	**403**	242
Auditors' remuneration	**1,028**	1,028
Employee benefit expense (including Directors' remuneration):		
Wages and salaries	**29,459**	17,591
Equity-settled share option arrangements	**2,461**	824
Pension scheme contributions (defined contribution schemes)	**4,939**	2,773
Severance payments	**384**	7
	37,243	21,195
Write off of items of property, plant and equipment	**252**	—
Impairment allowance for trade receivables	**366**	3,203
Research and development costs**	**4,894**	2,036
Fair value losses on equity investments at fair value through profit or loss	**1,251**	2,479
Fair value loss on an investment property	**580**	—

* The cost of services provided includes depreciation and staff costs of HK$9,769,000 for the year ended 31 March 2009 (2008: HK$5,709,000), which is also included in the respective total amounts disclosed separately above.

** The research and development costs for the year include HK$2,534,000 (2008: HK$2,036,000) relating to employee benefit expense for research and development activities, which are also included in the employee benefit expense disclosed separately above.

At 31 March 2009, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2008: Nil).

6. TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year (2008: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2009	2008
	HK$'000	*HK$'000*
Current — Elsewhere		
Charge for the year	**4,261**	8,794
Overprovision in prior years	**(2,401)**	(322)
Deferred	**3,701**	(10,600)
Total tax charge/(credit) for the year	**5,561**	(2,128)

7. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of HK$15,636,000 (2008: HK$26,487,000), and the weighted average number of 597,548,973 (2008: 595,328,552) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 March 2009 is based on the profit for the year attributable to ordinary equity holders of the Company of HK$15,636,000 (2008: HK$26,487,000), less the fair value gain on the derivative component of convertible bonds of HK$4,827,000. The calculation of diluted earnings per share for the year ended 31 March 2008 has not included the potential effect of the deemed conversion of the convertible bonds into ordinary shares during the year as it has an anti-dilutive effect on the basic earnings per share amount for the year. The weighted average number of ordinary shares of 634,971,984 (2008: 625,275,422) used in this calculation is the total of the number of ordinary shares in issue during the year as used in the basic earnings per share calculation, the weighted average number of ordinary shares on deemed exercise of all share options during the year assuming issuance at no consideration of 7,423,011 (2008: 29,946,870), and deemed conversion of all convertible bonds of 30,000,000.

8. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as the Group's customers and operations are located in Mainland China.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the solution integration services segment provides solution integration services; and

(b) the wireless mobile value added services segment provides wireless mobile value added services.

8. SEGMENT INFORMATION (continued)

Primary reporting format — business segments

	Solution integration services *HK$'000*	Wireless mobile value added services *HK$'000*	Consolidated *HK$'000*
Year ended 31 March 2009			
Segment revenue from external customers	675	108,802	109,477
Segment results	329	50,871	51,200
Other income and gains			2,418
Unallocated expenses			(37,235)
Profit from operations			16,383
Fair value gain on derivative component of convertible bonds			4,827
Finance costs			(13)
Profit before tax			21,197
Tax			(5,561)
Profit for the year attributable to equity holders of the Company			15,636
At 31 March 2009			
Segment assets	—	28,366	28,366
Unallocated assets			96,866
Total assets			125,232
Segment liabilities	5,696	14,910	20,606
Unallocated liabilities			44,890
Total liabilities			65,496

8. SEGMENT INFORMATION (continued)

Primary reporting format — business segments (continued)

	Solution integration services *HK$'000*	**Wireless mobile value added services** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Year ended 31 March 2009				
Other segment information:				
Capital expenditure	—	1,927	1,346	3,273
Depreciation	—	1,538	778	2,316
Write back of trade payables	(73)	—	—	(73)
Impairment allowance for trade receivables	—	366	—	366
Gain on disposal of items of property, plant and equipment	—	—	(175)	(175)
Fair value loss on an investment property	—	—	580	580
Fair value losses on equity investments at fair value through profit or loss	—	—	1,251	1,251
Equity-settled share option arrangements	—	2,614	1,475	4,089
Write off of items of property, plant and equipment	—	252	—	252

8. SEGMENT INFORMATION (continued)

Primary reporting format — business segments (continued)

	Solution integration services *HK$'000*	Wireless mobile value added services *HK$'000*	Consolidated *HK$'000*
Year ended 31 March 2008			
Segment revenue from external customers	614	82,725	83,339
Segment results	582	58,170	58,752
Other income and gains			8,844
Unallocated expenses			(27,402)
Profit from operations			40,194
Fair value gain on derivative component of convertible bonds			7,745
Finance costs			(23,580)
Profit before tax			24,359
Tax			2,128
Profit for the year attributable to equity holders of the Company			26,487
At 31 March 2008			
Segment assets	45	55,368	55,413
Unallocated assets			47,859
Total assets			103,272
Segment liabilities	5,578	3,926	9,504
Unallocated liabilities			56,433
Total liabilities			65,937

8. **SEGMENT INFORMATION (continued)**

Primary reporting format — business segments (continued)

	Solution integration services	**Wireless mobile value added services**	**Unallocated**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2008				
Other segment information:				
Capital expenditure	—	978	153	1,131
Depreciation	—	1,165	706	1,871
Write back of trade payables	(5,887)	—	—	(5,887)
Impairment allowance for trade receivables	—	3,203	—	3,203
Gain on disposal of items of property, plant and equipment	—	—	(15)	(15)
Fair value gain on an investment property	—	—	(965)	(965)
Fair value losses on equity investments at fair value through profit or loss	—	—	2,479	2,479
Equity-settled share option arrangements	—	1,499	57	1,556

9. **TRADE RECEIVABLES**

	2009	**2008**
	HK$'000	*HK$'000*
Trade receivables	**25,216**	82,687
Impairment allowances	**(7,716)**	(40,326)
	17,500	42,361

Trade receivables, which generally have credit terms of 1 month to 3 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 83% (2008: 72%) of the balance represented a receivable from one customer. Trade receivables are non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

An aging analysis of the Group's trade receivables, net of allowances and based on the invoice date, is as follows:

	2009	2008
	HK$'000	*HK$'000*
1 to 3 months	**17,489**	42,246
4 to 6 months	**11**	115
	17,500	42,361

10. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the payment due date, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Over 12 months	**2,838**	2,840

The carrying amounts of trade payables approximate to their fair values. The trade payables were non-interest-bearing and were normally settled on 3-month terms.

11. SHARE CAPITAL

	2009	2008
	HK$'000	*HK$'000*
Shares		
Authorised:		
2,500,000,000 (2008: 2,500,000,000) ordinary shares of HK$0.10 each	**250,000**	250,000
Issued and fully paid:		
597,675,000 (2008: 597,275,000) ordinary shares of HK$0.10 each	**59,767**	59,727

A summary of the transactions in the Company's issued capital during the year is as follows:

	Number of shares in issue	Issued capital	Share premium account	Total
		HK$'000	*HK$'000*	*HK$'000*
At 1 April 2007	592,375,000	59,237	348,159	407,396
Share options exercised	4,900,000	490	649	1,139
At 31 March 2008 and 1 April 2008	597,275,000	59,727	348,808	408,535
Share options exercised	400,000	40	126	166
At 31 March 2009	597,675,000	59,767	348,934	408,701

During the year ended 31 March 2009, the subscription rights attaching to 200,000 and 200,000 share options were exercised at subscription prices of HK$0.41 and HK$0.417 per share, respectively, resulting in the issuance of 400,000 ordinary shares of HK$0.10 each for a total cash consideration, before the related expenses, of approximately HK$166,000.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 March 2009 (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

A. OPERATING RESULTS

Results for the year

The Group achieved a growth in revenue during the year under review and remained profitable for a second year. Profit for the year attributable to equity holders of the Company amounted to HK$15,636,000, as compared to HK$26,487,000 in the previous financial year. Excluding the fair value gain on derivative component of convertible bonds of HK$4,827,000, profit attributable to equity holders was HK$10,809,000.

Revenue

Consolidated revenue for the year ended 31 March 2009 amounted to HK$109,477,000, representing a significant increase of HK$26,138,000 or 31% over the previous financial year. During the year, the Group strived to maximize its mobile search user base by launching various marketing and promotional campaigns. With support from business partners, it has made continual efforts to improve its wireless music search services. As a result, both the frequency of searching and the download rate per user improved. The increase in revenue was encouraging as the Group proved the wide acceptance and public awareness of its wireless music search services, and the effectiveness of the business strategies by the Group, despite the impacts of the Sichuan earthquake and the Beijing 2008 Olympic Games, both of which led to temporary suspension and cancellation of certain sales and marketing activities.

Cost of Sales

The Group's cost of sales for the year ended 31 March 2009 amounted to HK$19,349,000, as compared to HK$9,869,000 in 2008. The increase was mainly a result of the overall growth in revenue, and an increase in staff costs due to the Group's expansion of its operational and technical teams in order to continuously improve its wireless mobile search technology.

Gross Profit

The gross profit for the year ended 31 March 2009 increased by HK$16,658,000 or 23% to HK$90,128,000. Gross profit margin decreased from 88% in 2008 to 82% in 2009, mainly due to the increase in staff and related costs under cost of sales.

Other Income and Gains

Other income and gains decreased by HK$6,426,000 to HK$2,418,000 in 2009. It was mainly due to a drop in the write back of trade payables by HK$5,814,000.

Operating Expenses

Overall operating expenses including selling, administrative and other expenses amounted to HK$76,163,000, an increase of HK$34,043,000 or 81% over last year.

Selling expenses increased by HK$15,946,000 or 182% to HK$24,697,000 as compared to 2008, was the result of an expansion in sales, business development and marketing teams and an increase in marketing and promotional activities. Administrative expenses increased by HK$15,679,000 or 61% to HK$41,194,000, this was mainly attributable to the increase in staff and related costs and share option expense. Other expenses increased by HK$2,418,000 or 31% in 2009 was mainly attributable to the increase in research and development costs such as game searching and data mining.

Finance costs decreased significantly by HK$23,567,000 in 2009 as there was no imputed interest on convertible bonds in the current year since the premium over principal amount of the convertible bonds was fully accounted for in last year.

Financial Position, Liquidity, Financial Resources and Gearing Ratio

The total equity of the Group as at 31 March 2009 was HK$59,736,000 (2008:HK$37,335,000). The Group had net current assets of HK$43,879,000 as at 31 March 2009 (2008: HK$19,179,000). The Group's current ratio (current assets over current liabilities), was approximately 1.7 as at 31 March 2009 (2008: 1.3). The Group had cash and cash equivalents of HK$81,771,000 as at 31 March 2009 (2008: HK$33,202,000). During the year under review, the Group financed its operations mainly with its revenue from operations. The Group adheres to a prudent cash and financial management policy. In order to achieve better cost control and minimize the cost of funds, the Group's treasury activities are centralized and cash is generally placed in deposits, denominated mostly in Renminbi and Hong Kong dollars. As at 31 March 2009, the gearing ratio of the Group (total borrowings over total equity), was 67% (2008: 120%).

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 year under review. In connection with the convertible bonds outstanding as at 31 March 2009, the latest position is set out as follows.

Issue of Convertible Bonds

On 30 April 2007, the Company entered into a subscription agreement (the "Subscription Agreement") with Tallmany Enterprises Limited ("Tallmany") and China Broadband Capital Partners, L.P. ("CBC") for the issuance of five-year zero-coupon convertible bonds (the "Convertible Bonds") in the principal amount of HK$28,800,000.

On 6 June 2007, the Convertible Bonds were issued by the Company to Tallmany in the principal amount of HK$28,800,000 (the "Principal Amount") pursuant to the terms set out in the Deed Poll dated 6 June 2007, which also contain the Terms and Conditions of the Convertible Bonds (the "Terms and Conditions"). There was no movement in the number of the Convertible Bonds during the year ended 31 March 2009. The Convertible Bonds may, upon exercise of the conversion rights attaching to them, convert into new ordinary shares of the Company at an initial conversion price of HK$0.96 per share (subject to adjustments) at any time during a five-year period commencing from the date of first issue of the Convertible Bonds. If the holder of the Convertible Bonds exercises the conversion rights attached to the Convertible Bonds in full at the initial conversion price of HK$0.96 per share, a total of 30,000,000 ordinary shares of the Company will be issued. If the holder of the Convertible Bonds exercises the conversion rights attached to the Convertible Bonds in full at the adjusted conversion price of HK$0.50 per share, a total of 57,600,000 ordinary shares of the Company will be issued.

On the other hand, the holder of the Convertible Bonds will have the right to redeem the Convertible Bonds early before their maturity date on 5 June 2012 (the "Maturity Date") if one (or more) of the events of default defined in Clause 10 of the Terms and Conditions ("Events of Default") occur(s). If one (or more) of the Events of Default occur, the holder of the Convertible Bonds may by notice in writing require the Company to redeem the Convertible Bonds at 125% of the Principal Amount (the "Early Redemption Amount"), and the Early Redemption Amount must be paid within 10 days of such notice in writing, as provided in Clause 8.2 of the Terms and Conditions.

Any Convertible Bonds not already converted or redeemed will be redeemed on the Maturity Date at 100% of the Principal Amount.

Upon initial recognition, the Convertible Bonds issued were split into liability and derivative components. On the issuance of the Convertible Bonds, the excess of proceeds over the amount initially recognised as the derivative component was recognised as the liability component and was carried as non-current liabilities. The fair value of the derivative component was estimated at the issuance date and at 31 March 2009 with reference to Grant Sherman Appraisal Limited, an independent firm of professionally qualified valuers, using a binomial option pricing model and the change in fair value of that component of HK$4,827,000 (2008: HK$7,745,000) was recognised in the consolidated income statement.

Under the Subscription Agreement, the Company was required to procure repayment of certain trade receivables (the "Trade Receivables") by 31 May 2007. Repayment was not procured by 31 May 2007 and a written supplemental agreement to the Subscription Agreement dated 6 June 2007 was signed by the Company with Tallmany and CBC (the "Supplemental Agreement"). Under the terms of the Supplemental Agreement, the time for the Company to procure repayment of the Trade Receivables was purported to be extended to 30 September 2007. However, repayment of the Trade Receivables was not procured by 30 September 2007 and as such out of an abundance of caution, for the financial year ended 31 March 2008, the Principal Amount was reclassified as a current liability together with a 25% premium over the Principal Amount (the total of these 2 amounts is equal to the Early Redemption Amount defined above). The Early Redemption Amount continues to be recognised in this financial year as a current liability.

However, it is the Company's position that the holder of the Convertible Bonds is not legally entitled to early redemption of the Convertible Bonds based on a failure to procure repayment of the Trade Receivables by 31 May 2007 and/or 30 September 2007 (the "Alleged Subscription Agreement Breach").

On 1 December 2008, the Company received from Tallmany a written demand for early redemption of the Convertible Bonds at the Early Redemption Amount (the "CB Redemption Demand") on the basis of the Alleged Subscription Agreement Breach. On 10 March 2009, the Company received from Tallmany the Writ of Summons issued by the Registry of High Court (the "High Court"), with Tallmany named as the Plaintiff, which claims against the Company the sum of HK$36,000,000, being the Early Redemption Amount. On 23 March 2009, the Company lodged with the High Court the Acknowledgement of Service stating therein that the Company intends to contest these proceedings. Subsequently, the Company filed its Defence with the High Court on 20 May 2009.

Having regard to the financial position of the Group, the Company is of the view that if the Court finds in favour of the holder of the Convertible Bonds and it is entitled to exercise its right to early redemption, the cash flow of the Group will be reduced. However, the Group will have sufficient working capital for running its business in the ordinary course.

Significant Investments and Disposal

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

Foreign Currency Exchange Exposure and Treasury Policies

As most of the Group's trading transactions, monetary assets and liabilities are denominated in Renminbi and Hong Kong dollars, the impact of foreign exchange exposure to the Group was minimal and there was no significant adverse effect on normal operations. As at 31 March 2009, no related hedges were made by the Group.

Contingent Liabilities

As at 31 March 2009, the Group had no material contingent liabilities.

Employees and Remuneration Policy

As at 31 March 2009, the Group had a total of 166 employees (2008: 146). The Group's remuneration policy is basically determined by the performance of individual employees and the market condition. In addition to salaries and discretionary bonus, employee benefits included medical scheme, pension contributions and share option schemes.

B. BUSINESS REVIEW

Despite the negative impact of the Sichuan earthquake and the Beijing 2008 Olympic Games, revenue of the Group for this financial year was able to maintain a steady growth, which was mainly attributed to the following factors:

1. Further enhancement of operating capacity. The Group has collaborated with an international-renowned consultancy company in the area of user data mining. Through the application of a new data mining based sales model, the Group's sales and marketing activities, as well as its operational efficiency were notably enhanced.

2. Intensive expansion of business channels. Since the latter half of this financial year, the Group has focused on the expansion of the "STK cards" and "products embedded in mobile phones" channels which have brought sustainable revenue growth. On the other hand, in the last quarter of this financial year, China Mobile has embedded the Group's core music search function into their SIM cards, including the newly released 3G SIM cards, as a basic content.

3. Development of new products and perfection of services capacities. The Group has continuously brought new breakthroughs to its business through new products innovation during the year under review. The Group has contracted with a telecom operator for the provision of a SMS interactive service system based on its patented search engine technology. This new service system provides the mobile users with intelligent electronic self-services, it has not only fulfilled the mobile users desire on obtaining the latest product technology, but also brought new sources of revenue to the Group. In addition, as the Group's wireless music search services capacities have become more comprehensive, they created a variety of mobile music value added services which have also contributed to the growth of the Group's revenue in the current year.

4. Strengthened relationship with telecom operators. The Group has continuously strengthened its business relationship with China Mobile and other provincial telecom operators. At the same time, the Group has obtained certain breakthroughs in its business cooperation with new telecom operators, providing the Group with more opportunities in exploring new business channels, benefiting the Group from mitigating its business risks and increment of revenue growth.

OUTLOOK

Looking forward, the Group is facing with various competitions and challenges, including potential changes in the business cooperation with China Mobile due to the company's adjustment in it business policy. Under the negative global economic climate, it is expected that growth of the telecommunication industry in the PRC will slow down and in turn impact the Group's revenue in the coming quarters. However, the Group has confidence in the long term development of wireless search business in the PRC and is well positioned to face on the challenges ahead and strives to maintain stability in its businesses. The Group will continue to take a conservative approach to remain its competitiveness in order to capture future strategic opportunities.

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 year.

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

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

CORPORATE GOVERNANCE PRACTICES

During the year under review, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as contained in Appendix 15 of the GEM Listing Rules including the new CG Code amended and became effective on 1 January 2009.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2009.

AUDIT COMMITTEE

The Company established an 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 terms of reference of the Audit Committee are available on the Company's website.

As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors of the Company, namely Mr. James T. Siano (Chairman of the Audit Committee), Ms. Tse Yuet Ling, Justine and Ms. Lai May Lun.

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 Company. The Audit Committee held four meetings during the year under review.

The Group's audited financial statements for the year ended 31 March 2009 have been reviewed by the Audit Committee, who are of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

In accordance with the CG Code, the Company established its remuneration committee ("Remuneration Committee") on 17 June 2005 with written terms of reference. The terms of reference of the Remuneration Committee are available on the Company's website.

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.

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 held one meeting during the year under review.

By Order of the Board
Yip Heon Wai
Chairman

Hong Kong, 22 June 2009

As at the date of this announcement, the Board comprises Mr. Yip Heon Wai, Mr. Yip Heon Keung and Mr. Guan Ming Jie (all of them are executive Directors); Dr. Xu Zhiming and Mr. Zhang Ying (both of them are non-executive Directors); Mr. James T. Siano, 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.