



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 2010

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* For identification purpose only

HIGHLIGHTS

- Revenue of the Group for the six months ended 30 September 2010 amounted to HK\$37,097,000, representing a 12% increase as compared to the corresponding period in the previous financial year.
- The Group's gross profit was HK\$30,137,000, increased by HK\$4,268,000 compared with the same period of last year.
- Loss attributable to equity holders of the Company for the six months ended 30 September 2010 amounted to HK\$960,000, decreased by HK\$723,000 compared with the same period of 2009.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2010.

CONSOLIDATED INCOME STATEMENT

Six months and three months ended 30 September 2010

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 2010 together with the unaudited comparative figures for the corresponding periods in 2009 as follows:

	Notes	Six months ended 30 September		Three months ended 30 September	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Revenue	3	37,097	33,004	19,557	17,770
Cost of sales		<u>(6,960)</u>	<u>(7,135)</u>	<u>(4,835)</u>	<u>(4,224)</u>
Gross profit		30,137	25,869	14,722	13,546
Other income and gains		920	2,428	233	904
Selling expenses		(9,466)	(7,138)	(5,830)	(4,225)
Administrative expenses		(18,766)	(16,355)	(9,285)	(8,594)
Other expenses		(1,546)	(3,341)	(695)	(2,469)
Fair value loss on derivative component of convertible bonds		—	(1,654)	—	(801)
Finance costs		<u>(9)</u>	<u>(61)</u>	<u>(4)</u>	<u>(14)</u>
Profit/(loss) before tax	4	1,270	(252)	(859)	(1,653)
Income tax expense	5	<u>(2,230)</u>	<u>(1,431)</u>	<u>(455)</u>	<u>(591)</u>
Loss for the period attributable to equity holders of the Company		<u>(960)</u>	<u>(1,683)</u>	<u>(1,314)</u>	<u>(2,244)</u>
Loss per share attributable to equity holders of the Company	6				
Basic		<u>(HK0.1 cent)</u>	<u>(HK0.3 cent)</u>	<u>(HK0.2 cent)</u>	<u>(HK0.4 cent)</u>
Diluted		<u>(HK0.1 cent)</u>	<u>(HK0.3 cent)</u>	<u>(HK0.2 cent)</u>	<u>(HK0.4 cent)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**Six months and three months ended 30 September 2010**

	Six months ended		Three months ended	
	30 September		30 September	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period	(960)	(1,683)	(1,314)	(2,244)
Other comprehensive income				
Exchange differences on translation of foreign operations	<u>1,189</u>	<u>—</u>	<u>562</u>	<u>—</u>
Total comprehensive income/(expense) for the period	<u><u>229</u></u>	<u><u>(1,683)</u></u>	<u><u>(752)</u></u>	<u><u>(2,244)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2010

	Notes	30 September 2010 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	7	4,008	4,778
Investment property		3,067	2,797
Deposits		490	—
Available-for-sale investments		803	796
Deferred tax assets		2,818	4,990
Total non-current assets		11,186	13,361
CURRENT ASSETS			
Trade receivables	8	38,656	15,970
Prepayments, deposits and other receivables		8,474	6,217
Equity investments at fair value through profit or loss		—	3,236
Due from Directors		896	703
Pledged deposits	9	233	228
Cash and cash equivalents	9	54,572	70,558
Total current assets		102,831	96,912
CURRENT LIABILITIES			
Trade payables	10	3,803	3,374
Other payables, deposits received and accruals		9,793	8,220
Finance lease payables		127	145
Tax payable		5,625	5,346
Total current liabilities		19,348	17,085
NET CURRENT ASSETS		83,483	79,827
TOTAL ASSETS LESS CURRENT LIABILITIES		94,669	93,188
NON-CURRENT LIABILITIES			
Finance lease payables		—	52
Net assets		94,669	93,136
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	11	75,605	75,295
Reserves		19,064	17,841
Total equity		94,669	93,136

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2010

Attributable to equity holders of the Company

	Issued capital <i>HK\$'000</i>	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>	Accum- ulated losses <i>HK\$'000</i>	Reserves sub-total <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2010 (Audited)	75,295	371,932	53	8,163	7,368	(369,675)	17,841	93,136
Total comprehensive income/(expense) for the period	—	—	—	1,189	—	(960)	229	229
Share options exercised	310	276	—	—	—	—	276	586
Equity-settled share option arrangements	—	—	—	—	718	—	718	718
Transfer of share option reserve on the exercised share options	—	203	—	—	(203)	—	—	—
Transfer of share option reserve on the forfeited share options	—	—	—	—	(1,004)	1,004	—	—
At 30 September 2010 (Unaudited)	<u>75,605</u>	<u>372,411</u>	<u>53</u>	<u>9,352</u>	<u>6,879</u>	<u>(369,631)</u>	<u>19,064</u>	<u>94,669</u>
At 1 April 2009 (Audited)	59,767	348,934	53	7,946	6,605	(363,569)	(31)	59,736
Total comprehensive expense for the period	—	—	—	—	—	(1,683)	(1,683)	(1,683)
Equity-settled share option arrangements	—	—	—	—	744	—	744	744
At 30 September 2009 (Unaudited)	<u>59,767</u>	<u>348,934</u>	<u>53</u>	<u>7,946</u>	<u>7,349</u>	<u>(365,252)</u>	<u>(970)</u>	<u>58,797</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Six months ended 30 September 2010

	Six months ended	
	30 September	
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash flows used in operating activities	(20,272)	(10,690)
Net cash flows from/(used in) investing activities	3,122	(1,128)
Net cash flows from/(used in) financing activities	<u>517</u>	<u>(63)</u>
Net decrease in cash and cash equivalents	(16,633)	(11,881)
Cash and cash equivalents at beginning of period	70,558	81,771
Effect of foreign exchange rate changes, net	<u>647</u>	<u>—</u>
Cash and cash equivalents at end of period	<u>54,572</u>	<u>69,890</u>
 Analysis of cash and cash equivalents		
Cash and bank balances	33,620	25,539
Non-pledged time deposits with original maturity of less than three months when acquired	<u>20,952</u>	<u>44,351</u>
	<u>54,572</u>	<u>69,890</u>

Notes:

1. Basis of Preparation

The Group's unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and Interpretations and Hong Kong Financial Reporting Standards ("HKFRSs") 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 unaudited condensed interim financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies applied in the preparation of the unaudited condensed interim 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 2010.

In the current period, the Group has adopted a number of new and revised HKFRSs, which are effective for accounting periods beginning on or after 1 January 2010. The adoption of these new and revised HKFRSs had no significant financial effect on this financial results. Accordingly, no prior period adjustment has been required.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective, in the unaudited condensed interim 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 a significant impact on the Group's results of operations and financial position.

The unaudited condensed interim financial statements have been reviewed by the audit committee of the Company.

2. Operating Segment Information

The Group has adopted HKFRS 8 "Operating Segments" with effect from 1 April 2009. An operating segment is a component of the Group that engages in business activities from which the Group may earn revenues and incur expenses, and is identified on the basis of the internal financial reports that are provided to and regularly reviewed by the Group's chief operating decision makers in order to allocate resources and assess performance of the segment.

For the periods presented, the chief operating decision makers have determined that the Group has only one single operating segment as the Group is principally engaged in wireless mobile 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 2010, revenues of approximately HK\$17,645,000 and HK\$13,952,000 were derived from services rendered to two customers. During the six months ended 30 September 2009, revenue of approximately HK\$26,478,000 was derived from services rendered to a single customer.

3. Revenue

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

4. Profit/(Loss) before Tax

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

	Six months ended		Three months ended	
	30 September		30 September	
	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation	905	1,094	455	555
Minimum lease payments under operating leases:				
Land and buildings	2,992	3,093	1,526	1,553
Motor vehicles	120	123	61	67
Employee benefit expense	<u>16,010</u>	<u>16,965</u>	<u>8,305</u>	<u>8,542</u>

5. Income Tax

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong for the six months and three months ended 30 September 2010 (2009: 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	
	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current — Elsewhere				
Charge for the period	—	10	—	10
Deferred	<u>2,230</u>	<u>1,421</u>	<u>455</u>	<u>581</u>
Total tax charge for the period	<u>2,230</u>	<u>1,431</u>	<u>455</u>	<u>591</u>

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

The calculation of basic loss per share for the six months and three months ended 30 September 2010 are based on the loss for the period attributable to ordinary equity holders of the Company of HK\$960,000 (six months ended 30 September 2009: HK\$1,683,000) and HK\$1,314,000 (three months ended 30 September 2009: HK\$2,244,000) respectively, and the weighted average number of ordinary shares of 755,637,514 for the six months ended 30 September 2010 (six months ended 30 September 2009: 597,675,000) and 756,052,826 for the three months ended 30 September 2010 (three months ended 30 September 2009: 597,675,000) in issue during the periods.

No adjustment has been made to the basic loss per share amounts presented for the six months and three months ended 30 September 2010 in respect of a dilution as the impact of the share options outstanding had anti-dilutive effects on the basic loss per share amounts presented.

No adjustment has been made to the basic loss per share amounts presented for the six months and three months ended 30 September 2009 in respect of a dilution as the impact of the share options outstanding and fair value loss on derivative component of convertible bonds had anti-dilutive effects on the basic loss per share amounts presented.

7. Property, Plant and Equipment

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

	30 September 2010 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
Net book value, beginning of period/year	4,778	4,900
Additions	135	1,864
Disposals	(3)	(4)
Write-off	(37)	(6)
Depreciation	(905)	(1,985)
Exchange realignment	40	9
	<u>4,008</u>	<u>4,778</u>
Net book value, end of period/year	<u>4,008</u>	<u>4,778</u>

8. Trade Receivables

	30 September 2010	31 March 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	39,116	16,416
Impairment allowances	(460)	(446)
	<u>38,656</u>	<u>15,970</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 77% (31 March 2010: 77%) of the balance represented a receivable from one customer. Trade receivables are non-interest-bearing.

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

	30 September 2010	31 March 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 to 3 months	24,488	15,970
3 to 6 months	10,001	—
6 to 12 months	4,167	—
	<u>38,656</u>	<u>15,970</u>

Included in the Group's trade receivables are debtors with an aggregate carrying amount of HK\$24,372,000 (31 March 2010: HK\$5,102,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss as such receivables were mainly due from a well-known and sizeable telecom operator with good credit quality. Based on the past experience, the Directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances as the balances were considered 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 2010 <i>HK\$'000</i> (Unaudited)	31 March 2010 <i>HK\$'000</i> (Audited)
Cash and bank balances	33,620	21,016
Time deposits	<u>21,185</u>	<u>49,770</u>
	54,805	70,786
Less: Pledged time deposits:		
Pledged for bank facilities	<u>(233)</u>	<u>(228)</u>
Cash and cash equivalents	<u><u>54,572</u></u>	<u><u>70,558</u></u>

10. Trade Payables

An aged analysis of the trade payables as at the end of the reporting period, based on payment due date, is as follows:

	30 September 2010 <i>HK\$'000</i> (Unaudited)	31 March 2010 <i>HK\$'000</i> (Audited)
0 to 3 months	325	1,061
3 to 6 months	184	60
6 to 12 months	978	102
Over 12 months	<u>2,316</u>	<u>2,151</u>
	<u><u>3,803</u></u>	<u><u>3,374</u></u>

11. Share Capital

	30 September 2010		31 March 2010	
	Number of Shares	HK\$'000 (Unaudited)	Number of Shares	HK\$'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.10 (31 March 2010: 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 2010: HK\$0.10) each				
At beginning of period/year	752,955,000	75,295	597,675,000	59,767
Issue of shares	—	—	150,000,000	15,000
Share options exercised	<u>3,100,000</u>	<u>310</u>	<u>5,280,000</u>	<u>528</u>
At end of period/year	<u>756,055,000</u>	<u>75,605</u>	<u>752,955,000</u>	<u>75,295</u>

12. Commitments

(a) Operating lease arrangements

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

At 30 September 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2010 HK\$'000 (Unaudited)	31 March 2010 HK\$'000 (Audited)
Land and buildings:		
Within one year	2,799	3,246
In the second to fifth years, inclusive	<u>3,074</u>	<u>—</u>
	5,873	3,246
Motor vehicles:		
Within one year	<u>20</u>	<u>20</u>
	<u>5,893</u>	<u>3,266</u>

(b) Capital commitments

At 30 September 2010, the Group had capital commitments of HK\$269,000 (31 March 2010: Nil), contracted but not provided for, in respect of leasehold improvements for the Group's office premises.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the review period, telecom operators continued to tighten regulation and supervision on mobile value added industry. More new stringent regulations and policies have been implemented, such as price notification and multi confirmation before users subscribe wireless music products have been requested by China Mobile in 2010. Despite facing these challenges, the Group continued to strive for operational management improvement and product enhancement. The results from these efforts helped the Group generated a slightly growth in revenue during the six-month period under review as compared to same period in 2009.

During the period under review, mobile music search services business remained the key source of revenue of the Group. The Group's consolidated revenue amounted to HK\$37,097,000, increased by HK\$4,093,000 or 12% compared to HK\$33,004,000 for the corresponding period of last year. For the three-month period ended 30 September 2010, revenue amounted to HK\$19,557,000, increased by HK\$1,787,000 or 10% and HK\$2,017,000 or 11% as compared to same period of last year and last quarter ended 30 June 2010 respectively.

Cost of sales for the six months ended 30 September 2010 amounted to HK\$6,960,000, slightly decreased by HK\$175,000 or 2% compared to the correspondence period last year. Gross profit for the six months ended 30 September 2010 amounted to HK\$30,137,000, increased by HK\$4,268,000 or 16% compared to the same period last year. Gross profit margin improved from 78% to 81%.

Overall operating expenses including selling, administrative and other expenses for the six months ended 30 September 2010 amounted to HK\$29,778,000, increased by HK\$2,944,000 or 11% compared to the same period of last year. Selling expenses increased by HK\$2,328,000 or 33% compared to the corresponding period of last year, it was mainly attributable to the increase in promotion and marketing expenses. Administrative expenses increased by HK\$2,411,000 or 15%, mainly due to increase in staff costs. On the other hand, other expenses decreased by HK\$1,795,000 or 54% mainly due to interest related to settlement of convertible bonds amounted to HK\$1,622,000 was charged to other expenses in the corresponding period of last year.

Loss attributable to equity holders of the Company for the six months ended 30 September 2010 amounted to HK\$960,000, decreased by HK\$723,000 or 43% compared to the same period of last year.

Financial Position, Liquidity, Financial Resources and Gearing Ratio

The total equity of the Group as at 30 September 2010 was HK\$94,669,000 (31 March 2010: HK\$93,136,000). The Group had net current assets of HK\$83,483,000 as at 30 September 2010 (31 March 2010: HK\$79,827,000). The Group's current ratio was approximately 5.3 as at 30 September 2010 (31 March 2010: 5.7). The Group had cash and cash equivalents of HK\$54,572,000 as at 30 September 2010 (31 March 2010: HK\$70,558,000). During the period under review, the Group financed its operations mainly with its revenue from operations. The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimize costs 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 30 September 2010, the gearing ratio of the Group (total borrowings over total equity), was 0.1% (31 March 2010: 0.2%).

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 period under review.

Changes in shareholding

On 21 April 2010, the Company was informed by Mr. Yip Heon Keung, the Chairman of the Board and an executive Director, that a total of 100,000,000 shares having a par value of HK\$0.10 each in the Company were sold by Uniright Group Limited ("Uniright") to Will City Limited ("Will City"). Completion of such sale took place on 21 April 2010. Uniright is a company whose issued share capital is owned by Mr. Yip Heon Keung and Mr. Yip Heon Wai (a former Director) in equal shares.

Significant Investments and Disposal

There were no material acquisitions or disposals of subsidiaries by the Company during the period 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 the foreign exchange exposure of the Group was minimal and there was no significant adverse effect on the normal operations. As at 30 September 2010, no related hedges were made by the Group.

Contingent Liabilities

As at 30 September 2010, the Group had no material contingent liabilities.

Employees and Remuneration Policy

As at 30 September 2010, the Group had a total of 129 employees. 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.

Business Review and Outlook

Revenue of the Group for the six months ended 30 September 2010 increased slightly compared with the same period of last year. With the mobile internet industry under stricter regulation and supervision in China, telecom operators have adopted stricter business policies that are more unfavourable to the expansion of the mobile value added businesses, resulting in backward trends in various scale intensive value added businesses. However, the Group has proactively adopted effective measures to promote user's patronage in the wireless music search service, to develop more marketing channels in an in-depth manner and to enhance its intense marketing cooperation in the music businesses with China Mobile's Sichuan music base and key provinces. As a result, the total number of users, the number of searches and the user's patronage have recorded positive growing trends.

The main business developments of the Group in the second quarter of 2010 were as follows:

1. The Group has actively coordinated with China Mobile in the music marketing activities focusing on the 2010 World Expo in Shanghai (the "World Expo"), organized three-dimensional marketing activities to promote the World Expo theme song jointly with several provincial operators. With exceeding a thousand of the World Expo activities, the wireless music search services have received plenty of marketing resources in this quarter and the promotions have been highly successful. In addition, the strong influence of the World Expo has given an extra boost to the wireless music search services, which have reached even more users and won their favor.
2. With the rapid development of China Mobile's TD-SCDMA business, the Group has seen a further growth in both the revenue and the proportion of music search services including MP3 ring tones and songs download based on TD-SCDMA. During the same period, the number of mobile internet users in China has recorded a continuous growth, including GPRS users and TD users, which was contributed by the rapid growth of the mobile internet searching and song download searching business.
3. The channel of embedded "STK cards" has achieved excellent results and covered over 16 provinces, and the music search services will be embedded into the new cards in more provinces next quarter as well. The function list of the existing "STK cards" in the market has been updated and embedded with the wireless music search services in ten provinces. The "STK cards" channel has been developed into a mature and stable wireless music search channel for users. The number of users acquiring wireless music search services through the embedded function list in the "STK cards" has been growing at a rapid rate in proportion compared to the total number of users of the Group.

4. The Group has endeavored to upgrade its wireless music search technologies and strengthen the research and development of its “music fingerprint” technology. The trial version of handsets embedded with music applications products were launched into market at the end of September 2010, providing mobile users with a convenient audio search service. Handsets embedded with color ring back tone applications products were also launched into market at the end of September this year, providing the color ring back tone users with personalized services, the main representatives of which are color ring back tone management and interactive color ring back tone sharing music services.

Looking forward, even though the growth of wireless value added service industry in China was slowdown and the telecom operators has continued to launch certain restrictive policies that have negative impact on the fast growing business, especially China Mobile will change its overall commercial policy with cooperation support party, the corresponding cooperation model and terms will change in different level. The Group will further communicate with China Mobile about the commercial policy with cooperation support for wireless music search, to minimize the negative impact of this adverse policy to the Group. Overall, the Group is confident that the wireless music business will maintain a sustainable growth in the future. The market of wireless music users in China is the largest in the world. The wireless music search service is the fastest and most convenient tool for users to obtain personalized music, it will continue to gain popularity among more music users, and the Group believes that the number of its wireless music search services users will sustain a steady growth. The Group will strive to enhance its marketing cooperation with China Mobile and actively promote the 2010 Asian Games in Guangzhou theme songs. In addition, the Group will continue to expand “STK cards” channel, release all the new “STK cards” embedded with the function list of the wireless music search services across the country and broadly launch the replacement for old “STK cards” marketing campaign. Meanwhile, the Group will strengthen its effort to explore multiple areas in music businesses centering on wireless music search services, including but not limited to music content copyright cooperation, music applications cooperation, music games and interactive and sharing services in music communities, as well as the integration of users of free music on wired internet through users of paid music on wireless internet. The Group will also continue to devote more resources to the research and development of wireless music search technologies and promote “music fingerprint” application service and handsets embedded with color ring back tone applications service.

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

As at 30 September 2010, 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	24.03%
Mr. Yip Heon Ping	(2)	Object of a discretionary family trust and through a controlled corporation	181,682,918	24.03%

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 756,055,000 shares of the Company in issue as at 30 September 2010.

SHARE OPTION SCHEMES

The Company's share option scheme which was approved by the shareholders on 7 March 2000 (the "Old Scheme") was terminated and replaced by a new share option scheme approved by the shareholders at the extraordinary general meeting of the Company held on 9 April 2002 (the "New Scheme"). The options granted under the Old Scheme remain exercisable within their respective exercise periods.

A summary of the Old Scheme and the New Scheme is set out below:

(a) Old Scheme

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. Eligible participants include the Company's Directors and employees of the Group. Under the Old Scheme, the Board was authorised, at its absolute discretion, to grant options to the Company's Directors and employees of the Group to subscribe for ordinary shares of the Company. The Old Scheme became effective for a period of 10 years commencing on the listing of the Company's shares on GEM of the Exchange on 28 March 2000.

(b) New Scheme

The New Scheme became effective for a period of 10 years commencing on 23 April 2002. Eligible participants of the New Scheme include all Directors and employees of the Group, suppliers, customers, consultants who provided services to the Group, shareholders of the subsidiaries of the Group and joint venture partners. Under the New Scheme, the Directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company at the highest of (i) the closing price of shares of the Company on GEM as stated in the Exchange's daily quotation sheet on the date of the offer of grant; or (ii) the average closing price of the shares of the Company on GEM as stated in the Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Company's share. The offer of a grant of options may be accepted within 21 days from the date of the offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. The exercise period of the options granted is determinable by the Directors, and commences after 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.

At the annual general meeting of the Company held on 25 July 2006 (the "AGM"), an ordinary resolution was passed by the shareholders to approve the refreshing of the 10% general limit on the grant of share options under the New Scheme.

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 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.

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

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

Name or category of participant	Number of share options				Date of share options re-granted*	Exercise period of share options re-granted	Exercise price of share options re-granted** HK\$ per share
	At 1 April 2010	Exercised during the period	Lapsed during the period	At 30 September 2010			
Directors							
Mr. Yip Heon Keung	5,300,000	—	—	5,300,000	22 August 2001	22 August 2001 to 21 August 2011	0.40
Mr. Yip Heon Ping	6,300,000	—	—	6,300,000	22 August 2001	22 August 2001 to 21 August 2011	0.40
	<u>11,600,000</u>	<u>—</u>	<u>—</u>	<u>11,600,000</u>			
Other employees of the Group							
In aggregate	13,765,000	(300,000)	—	13,465,000	22 August 2001	22 August 2001 to 21 August 2011	0.40
	<u>25,365,000</u>	<u>(300,000)</u>	<u>—</u>	<u>25,065,000</u>			

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

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

Name or category of participant	Number of share options				Date of share options granted*	Exercise period of share options granted	Exercise price of share options granted** HK\$ per share
	At 1 April 2010	Exercised during the period	Lapsed during the period	At 30 September 2010			
Director[#]	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other employees of the Group							
In aggregate	800,000	(550,000)	—	250,000	22 May 2002	22 May 2002 to 21 May 2012	0.260
In aggregate	950,000	(850,000)	—	100,000	26 March 2004	26 March 2004 to 25 March 2014	0.100
In aggregate	2,800,000	(1,400,000)	—	1,400,000	10 May 2006	10 May 2006 to 9 May 2016	0.170
In aggregate	2,000,000	—	—	2,000,000	2 January 2008	2 January 2008 to 1 January 2018	0.600
In aggregate	2,000,000	—	—	2,000,000	3 April 2008	3 April 2008 to 2 April 2018	0.410
In aggregate	7,970,000	—	(480,000)	7,490,000	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
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

Name or category of participant	Number of share options				Date of share options granted*	Exercise period of share options granted	Exercise price of share options granted** HK\$ per share
	At 1 April 2010	Exercised during the period	Lapsed during the period	At 30 September 2010			
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	12,200,000	—	(5,000,000)	7,200,000	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>37,620,000</u>	<u>(2,800,000)</u>	<u>(5,480,000)</u>	<u>29,340,000</u>			

None of the Directors were granted share options under the New Scheme to subscribe for shares of the Company.

* 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 2010, the Company had outstanding options to subscribe for up to 25,065,000 shares and 29,340,000 shares under the Old Scheme and the New Scheme, respectively.

Save as disclosed above, as at 30 September 2010, none of the Directors and chief executive of the Company had registered an interest or short position in the ordinary shares or underlying shares of the Company or any of its associated corporations that 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 2010, 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	16.22%
Century Technology Holding (PTC) Limited	(2)	Beneficially owned	114,851,701	15.19%
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	24.03%
Mr. Yip Seng Mun	(2), (3), (4) & (5)	Founder of a discretionary family trust, beneficially owned and through controlled corporations	301,095,619	39.82%
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	19.84%
Ms. Wang Li Mei	(7)	Interest of a controlled corporation	150,000,000	19.84%
Mr. Wang Leilei	(7)	Interest of a controlled corporation	150,000,000	19.84%
Will City Limited	(8)	Beneficially owned	100,000,000	13.23%
Ms. Zhang Yingnan	(8)	Interest of a controlled corporation	100,000,000	13.23%

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.
- (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, 114,851,701 shares of the Company as the beneficial owner of Century and personally interested in 561,000 shares of the Company. In addition, he is also entitled to his share options to subscribe for 4,000,000 shares of the Company in his capacity as an employee of the Group.
- (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, such shares are ultimately owned by Mr. Wang Leilei. Ms. Wang Li Mei is the sole director of Right Advance.
- (8) Will City is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Ms. Zhang Yingnan.
- (9) Based on 756,055,000 shares of the Company in issue as at 30 September 2010.

Save as disclosed above, as at 30 September 2010, 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 2010, 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 2010.

CORPORATE GOVERNANCE PRACTICES

Save as the deviation disclosed below, 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 throughout the period under review.

The CG Code provision A.3 (Note 1) provides that every board of directors of a listed issuer must include at least three independent non-executive directors. During the period between 1 November 2009 and 20 August 2010, following the resignation of Mr. James T. Siano as an independent non-executive Director and a member of the audit committee of the Company ("Audit Committee") on 1 November 2009, the Company had only two independent non-executive Directors. When Mr. Tam Chun Wan was appointed as an independent non-executive Director of the Company and the Chairman of the Audit Committee with effect from 20 August 2010, the said deviation was rectified.

AUDIT COMMITTEE

The Company established the Audit Committee on 7 March 2000 and has formulated and from time to time amended its written terms of reference in accordance with the provisions set out in the CG Code. The primary duties of the Audit Committee include 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.

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 its remuneration committee (“Remuneration Committee”) on 17 June 2005 with written terms of reference. The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company’s 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.

By Order of the Board
Yip Heon Keung
Chairman

Hong Kong, 8 November 2010

As at the date of this announcement, the Board comprises Mr. Yip Heon Keung and Mr. Yip Heon Ping (both 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.