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 2011

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 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 year ended 31 March 2011 amounted to HK$85,846,000, increased by 24% as compared to last year.

- The Group attained gross profit of HK$65,503,000 for the year ended 31 March 2011, increased by 23% as compared to last year.

- The profit attributable to equity holders of the Company for the year ended 31 March 2011 amounted to HK$1,295,000, as compared to a loss of HK$6,805,000 in the previous financial year.

- The Board does not recommend the payment of any dividend for the year ended 31 March 2011.

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 2011 together with the comparative audited figures for the year ended 31 March 2010 as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	4	**85,846**	69,141
Cost of sales		**(20,343)**	(16,073)
Gross profit		**65,503**	53,068
Other income and gains	4	**1,518**	4,331
Selling expenses		**(19,242)**	(17,995)
Administrative expenses		**(39,729)**	(38,779)
Other expenses		**(3,512)**	(7,334)
Fair value loss on derivative component of convertible bonds		**—**	(1,654)
Gain on derecognition of convertible bonds		**—**	5,446
Finance costs	5	**(14)**	(118)
Profit/(loss) before tax	6	**4,524**	(3,035)
Income tax expense	7	**(3,229)**	(3,770)
Profit/(loss) for the year attributable to owners of the Company		**1,295**	(6,805)
Earnings/(loss) per share attributable to ordinary equity holders of the Company	8		
Basic		**HK0.17 cent**	(HK1.1 cents)
Diluted		**HK0.17 cent**	(HK1.1 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2011

	2011	2010
	HK$'000	*HK$'000*
Profit/(loss) for the year	**1,295**	(6,805)
Other comprehensive income		
Exchange differences on translation of foreign operations	**2,148**	217
Total comprehensive income/(expense) for the year	**3,443**	(6,588)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,527**	4,778
Investment property		**3,278**	2,797
Deposits		**826**	—
Available-for-sale investments		**809**	796
Deferred tax assets		**3,615**	4,990
Total non-current assets		**13,055**	13,361
CURRENT ASSETS			
Trade receivables	*9*	**68,834**	15,970
Prepayments, deposits and other receivables		**6,865**	6,217
Equity investments at fair value through profit or loss		**—**	3,236
Due from Directors		**1,251**	703
Pledged deposits		**236**	228
Cash and cash equivalents		**33,937**	70,558
Total current assets		**111,123**	96,912
CURRENT LIABILITIES			
Trade payables	*10*	**3,773**	3,374
Other payables and accruals		**13,788**	8,220
Finance lease payables		**52**	145
Tax payable		**6,997**	5,346
Total current liabilities		**24,610**	17,085
NET CURRENT ASSETS		**86,513**	79,827
TOTAL ASSETS LESS CURRENT LIABILITIES		**99,568**	93,188
NON-CURRENT LIABILITIES			
Finance lease payables		**—**	52
Deferred tax liabilities		**472**	—
Total non-current liabilities		**472**	52
Net assets		**99,096**	93,136
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*11*	**75,635**	75,295
Reserves		**23,461**	17,841
Total equity		**99,096**	93,136

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2011

	Attributable to owners of the Company							
	Issued capital *HK$'000*	Share premium account *HK$'000*	Statutory reserve fund *HK$'000*	Foreign currency translation reserve *HK$'000*	Share option reserve *HK$'000*	Accumulated losses *HK$'000*	Reserves sub-total *HK$'000*	Total equity *HK$'000*
At 1 April 2010	75,295	371,932	53	8,163	7,368	(369,675)	17,841	93,136
Profit for the year	—	—	—	—	—	1,295	1,295	1,295
Other comprehensive income for the year: Exchange differences on translation of foreign operation	—	—	—	2,148	—	—	2,148	2,148
Total comprehensive income for the year	—	—	—	2,148	—	1,295	3,443	3,443
Share options exercised	340	297	—	—	—	—	297	637
Equity-settled share option arrangements	—	—	—	—	1,880	—	1,880	1,880
Transfer of share option reserve on the exercised share options	—	239	—	—	(239)	—	—	—
Transfer of share option reserve on the forfeited share options	—	—	—	—	(1,057)	1,057	—	—
Transfer to statutory reserve fund	—	—	717	—	—	(717)	—	—
At 31 March 2011	75,635	372,468	770	10,311	7,952	(368,040)	23,461	99,096
At 1 April 2009	59,767	348,934	53	7,946	6,605	(363,569)	(31)	59,736
Loss for the year	—	—	—	—	—	(6,805)	(6,805)	(6,805)
Other comprehensive income for the year: Exchange differences on translation of foreign operation	—	—	—	217	—	—	217	217
Total comprehensive income/(expense) for the year	—	—	—	217	—	(6,805)	(6,588)	(6,588)
Issue of shares	15,000	22,500	—	—	—	—	22,500	37,500
Share options exercised	528	321	—	—	—	—	321	849
Share issue expenses	—	(389)	—	—	—	—	(389)	(389)
Equity-settled share option arrangements	—	—	—	—	2,028	—	2,028	2,028
Transfer of share option reserve on the exercised share options	—	566	—	—	(566)	—	—	—
Transfer of share option reserve on the forfeited share options	—	—	—	—	(699)	699	—	—
At 31 March 2010	75,295	371,932	53	8,163	7,368	(369,675)	17,841	93,136

Notes:

1. BASIS OF PREPARATION

These financial statements 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 (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment property, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements 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 financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

2.1 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash- settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009* and HK Interpretation 4 (Revised in December 2009), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations and* HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows,* HKAS 12 *Income Taxes,* HKAS 21 *The Effects of Changes in Foreign Exchange Rates,* HKAS 28 *Investments in Associates and* HKAS 31 *Interests in Joint Ventures.*

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 April 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

2.2 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 these financial statements.

HKFRS 1 Amendments	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [1]
	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets* [3]
HKFRS 9	*Financial Instruments* [5]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets* [4]
HKAS 24 (Revised)	*Related Party Disclosures* [2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 July 2010
[2] Effective for annual periods beginning on or after 1 January 2011
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 January 2013

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 result of operations and financial position.

3. OPERATING SEGMENT INFORMATION

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 year ended 31 March 2011, revenues of approximately HK$44,366,000 (2010: HK$53,115,000) and HK$26,722,000 (2010: HK$8,650,000) were derived from services rendered to two customers.

4. REVENUE, OTHER INCOME AND GAINS

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

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

	2011	2010
	HK$'000	*HK$'000*
Revenue		
Services income	**85,846**	69,141
Other income		
Bank interest income	**351**	710
Investment income	**465**	534
Write-back of trade payables	**—**	696
Others	**302**	168
	1,118	2,108
Gains		
Gain on disposal of equity investments at fair value through profit or loss	**20**	—
Fair value gain on equity investments at fair value through profit or loss	**—**	1,325
Fair value gain on an investment property	**380**	898
	400	2,223
	1,518	4,331

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2011	2010
	HK$'000	*HK$'000*
Interest on bank overdrafts	**—**	89
Interest on a finance lease	**14**	29
	14	118

6. PROFIT/(LOSS) BEFORE TAX

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

	2011	2010
	HK$'000	*HK$'000*
Cost of services provided*	**20,343**	16,073
Depreciation	**2,054**	1,985
Minimum lease payments under operating leases:		
Land and buildings	**4,854**	5,689
Motor vehicles	**—**	218
Auditors' remuneration	**900**	820
Employee benefit expense (including Directors' remuneration):		
Wages, salaries, allowances and benefits in kind	**26,032**	25,865
Equity-settled share option arrangements	**1,880**	1,526
Pension scheme contributions (defined contribution schemes)	**4,038**	4,751
Severance payments	**791**	1,192
	32,741	33,334
Foreign exchange differences, net	**1**	223
Write-off of items of property, plant and equipment	**37**	6
Loss on disposal of items of property, plant and equipment	**7**	—
Impairment of trade receivables	**6**	78
Research and development costs**	**3,251**	2,976
Investment Income	**(465)**	(524)
Gain on disposal of equity investments at fair value through profit or loss	**(20)**	—
Fair value gain on equity investments at fair value through profit or loss	**—**	(1,325)
Fair value gain on an investment property	**(380)**	(898)

* The cost of services provided includes depreciation and employee benefit expense of HK$4,708,000 for the year ended 31 March 2011 (2010: HK$5,824,000), which is also included in the respective total amount disclosed separately above.

** The research and development costs for the year include HK$3,251,000 (2010: HK$2,976,000) relating to employee benefit expense for research and development activities, which is also included in the employee benefit expense disclosed separately above.

At 31 March 2011, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years (2010: Nil).

7. INCOME TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2010: 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.

	2011	2010
	HK$'000	*HK$'000*
Current — Elsewhere		
Charge for the year	**1,291**	362
Deferred	**1,938**	3,408
Total tax charge for the year	**3,229**	3,770

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$1,295,000 (2010: loss of HK$6,805,000), and the weighted average number of ordinary shares of 755,876,096 (2010: 636,978,014) in issue during the year.

The calculation of the diluted earnings per share amount for the year ended 31 March 2011 was based on the profit for that year attributable to ordinary equity holders of the Company of HK$1,295,000. The weighted average number of ordinary shares of 758,348,711 used in this calculation was the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 2,472,615 ordinary shares assumed to have been issued at no consideration on the deemed exercise of 8,250,000 dilutive share options during the year.

No adjustment was made to the basic loss per share amount presented for the year ended 31 March 2010 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amount presented.

9. TRADE RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**69,299**	16,416
Impairment allowances	**(465)**	(446)
	68,834	15,970

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 51% (2010: 77%) of the balance represented a receivable from one customer. Trade receivables are unsecured and non-interest-bearing.

An aged analysis of the Group's trade receivables, net of allowances and based on the month of services rendered, is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**35,259**	15,970
4 to 6 months	**9,924**	—
7 to 12 months	**19,587**	—
Over 12 months	**4,064**	—
	68,834	15,970

10. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the month of services rendered, is as follows:

	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**306**	1,061
4 to 6 months	**149**	60
7 to 12 months	**356**	102
Over 12 months	**2,962**	2,151
	3,773	3,374

The trade payables are non-interest-bearing and are normally settled on three-month terms.

11. SHARE CAPITAL

	2011	2010
	HK$'000	*HK$'000*
Shares		
Authorised:		
2,500,000,000 (2010: 2,500,000,000) ordinary shares of HK$0.10 each	**250,000**	250,000
Issued and fully paid:		
756,355,000 (2010: 752,955,000) ordinary shares of HK$0.10 each	**75,635**	75,295

A summary of the transactions during the year with reference to the movements in the Company's issued share capital is as follows:

	Notes	**Number of shares in issue**	**Issued capital** *HK$'000*	**Share premium account** *HK$'000*	**Total** *HK$'000*
At 1 April 2009		597,675,000	59,767	348,934	408,701
Issue of shares	(a)	150,000,000	15,000	22,500	37,500
Share options exercised	(b)	5,280,000	528	321	849
Transfer of share option reserve on the exercised share options	(b)	—	—	566	566
		752,955,000	75,295	372,321	447,616
Share issue expenses		—	—	(389)	(389)
At 31 March 2010 and 1 April 2010		752,955,000	75,295	371,932	447,227
Share options exercised	(c)	3,400,000	340	297	637
Transfer of share option reserve on the exercised share options	(c)	—	—	239	239
At 31 March 2011		756,355,000	75,635	372,468	448,103

Notes:

(a) On 2 December 2009, the Company entered into a share placing agreement with a third party in respect of the subscription of 150,000,000 new ordinary shares of HK$0.10 each at a price of HK$0.25 per share. The subscription was completed on 30 December 2009. The premium on the issue of shares, amounted to approximately HK$22,500,000 (before share issue of expenses of HK$389,000) was credited to the Company's share premium account.

(b) During the year ended 31 March 2010, the subscription rights attaching to 700,000 and 4,580,000 share options were exercised at subscription prices of HK$0.10 and HK$0.17 per share, respectively, resulting in the issuance of 5,280,000 ordinary shares of HK$0.10 each for a total cash consideration, before the related expenses, of approximately HK$849,000. Upon the share options being exercised, HK$566,000 was transferred from the share option reserve to the share premium account.

(c) During the year ended 31 March 2011, the subscription rights attaching to 300,000, 550,000, 850,000 and 1,700,000 share options were exercised at subscription prices of HK$0.40, HK$0.26, HK$0.10 and HK$0.17 per share, respectively, resulting in the issuance of 3,400,000 ordinary shares of HK$0.10 each for a total cash consideration, before the related expenses, of approximately HK$637,000. Upon the share options being exercised, HK$239,000 was transferred from the share option reserve to the share premium account.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 March 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

A. OPERATING RESULTS

Revenue, Cost of Sales and Gross Profit

During the year ended 31 March 2011, mobile music searching services remained one of our key stream of income. Generally speaking, in the face of challenges from the stringent regulatory and monitory requirements imposed by the regulatory bodies on the mobile internet, the telecom operators are currently rationalising the pricing models of mobile music value added service. The Group has pro-actively taken measures to alleviate the negative impact brought about by these industry trends, such as the introduction of new products and upgrading services. We have also expanded our business to capture revenue from other sectors.

Measures taken by the Group were proved to be effective which resulted in an increase in our consolidated revenue by about HK$16.7 million or 24% from about HK$69.1 million in 2010 to about HK$85.8 million in 2011.

Due to the increase in revenue, cost of sales for the year ended 31 March 2011 increased by about HK$4.2 million or 26% from about HK$16.1 million in 2010 to about HK$20.3 million in 2011.

During the year under review, the Group's operational structures have been fine-tuned to cope with the changing business environment so as to maintain our sustainability. As a result, our gross profit margin remained at about 76.3%, represented a slight drop from 76.8% in 2010 and our gross profit for the year 2011 amounted about to HK$65.5 million, representing an increase of about HK$12.4 million or 23% from that of about HK$53.1 million in 2010.

Other Income and Gains

During the year, other income and gains amounted to about HK$1.5 million, which was decreased by about HK$2.8 million as compared with that of last year. The decrease was due to decrease in gain from short term investments and fair value gain on an investment property.

Operating expenses

Operating expenses of the Group mainly comprised selling expenses, administrative expenses and other expenses. During the year ended 31 March 2011, the Group's operating expenses was about HK$62.5 million in total, representing a slight decrease of about HK$1.6 million or 2.5% compared with that in last year. The decrease was caused by the drop in other expenses, which was partially offset by the increase in selling expenses and administrative expenses.

During the year under review, we have adjusted our marketing strategy according to the market developments. Our selling expenses was increased from about HK$18.0 million in 2010 to about HK$19.2 million in 2011, representing a slight increase of HK$1.2 million or 6.9%. The increase was mainly due to the increase in marketing and promotional efforts which was partly offset by the decrease in staff costs.

Administrative expenses also experienced a slight increase by about HK$0.95 million or 2% from about HK$38.8 million in 2010 to about HK$39.7 million in 2011 which was mainly due to the increase in staff costs.

Other expenses represented cost of research and development and expenses of other non-operating activities. Other expenses decreased by about HK$3.8 million or 52% to about HK$3.5 million in 2011 which was mainly due to the decrease in expenses related to convertible bonds incurred last year.

Profit attributable to equity holders

Due to a combination of the effect of the reasons stated above, profit attributable to equity holders of the Group has turned around to a profit of about HK$1.3 million in 2011, resulted in a remarkable improvement of HK$8.1 million from a loss of about HK$6.8 million in 2010.

Financial Position, Liquidity, Financial Resources and Gearing Ratio

As at 31 March 2011, the total equity of the Group amounted to about HK$99.1 million (2010: HK$93.1 million) and the Group's net current assets amount to about HK$86.5 million (2010: HK$79.8 million). The current ratio (current assets to current liabilities) as at 31 March 2011 was 4.5 (2010: 5.7). As at 31 March 2011, the cash and cash equivalents amounted to about HK$33.9 million (2010: HK$70.6 million). The decrease in cash and cash equivalents was due to the increase in trade receivables from about HK$16.0 million to about HK$68.8 million as one of our major customers has slowed down statement issuing and settlement process when it underwent an internal resources re-structuring. Currently, the process has been completed and we expect the delay would not be likely to recur.

During the year under review, the Group has financed its operation by revenue generated from its operation, proceeds from disposal of equity instruments and our internal resources. The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in Renminbi and Hong Kong dollars. As at 31 March 2011, the Group keeps a low gearing ratio (total borrowings over total equity) of 0.05% (2010: 0.21%).

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.

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. 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 year under review.

Event after the Reporting Period

On 16 February 2011, the Group entered into a sales and purchase agreement with four independent third parties, to acquire 100% equity interest in 北京易歐游科技有限公司, a company established in the PRC, at a cash consideration of RMB300,000. A deposit of HK$330,000 has been paid by the Group during the year and included as a non-current deposit at the end of the reporting period. After the reporting period, the acquisition was completed.

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 2011, no related hedges were made by the Group.

Contingent Liabilities

As at 31 March 2011, the Group had no material contingent liabilities.

Employees and Remuneration Policy

As at 31 March 2011, the Group had a total of 124 employees (2010: 125). The Group's remuneration policy is basically determined by the performance of individual employees and directors and the market condition. In addition to salaries and discretionary bonuses, employee benefits included medical schemes, pension contributions and share option schemes.

B. BUSINESS REVIEW

The Group adjusted its strategy in 2010 and moved its focus from wireless music search services business sector to the development of provision of full range personal digital entertainment services with a view to becoming a leading personal entertainment services provider in China. On the basis of having wireless music search services as our strategic core business, the Group has developed a wide variety of personal digital entertainment services business which is closely related to music, the overall cohesiveness of our users was thus enhanced and the business of the Group was diversified. At present, our services have provided entertainment information, games, comics and customer end applications. The overall expansion of our new business has been sped up through attracting new user groups.

During the year, the Group continued to maintain our leading position in wireless search service with the largest user group in China in wireless music search. The number of users in wireless music search grew quickly. As at the end of March of 2011, the Group had hit the mark of 300 million in the accumulated number of users in wireless music search, representing an annual accumulated increase of 100 million users and the number of active users in quarterly terms had been nearly 20 million. The Group's new business was commercially launched in the fourth quarter of 2010 with an increase of over 10 million new users for entertainment information and an accumulated increase of nearly 1 million in other digital entertainment services users.

The Group paid particular attention to the upgrading and marketing of mobile internet music search services and effectively bolstered up its proportion of revenue from GPRS and TD network based music services. Revenue from downloading of MP3 vibrating ringing tones and songs saw marked increase, and its proportion to the Group's revenue from the music business rose from 14% on the average in 2009 to 28% on the average in 2010. As at the first quarter of 2011, revenue from downloading of MP3 vibrating ringing tones and songs represented 37.49% of the total revenue from the music business. In March 2011, amongst 2.5G and 3G users of China Mobile Limited ("China Mobile"), over 30% of searching and successful downloading of songs was made through the music search services provided by the Group.

OUTLOOK

Looking forward, the management is fully confident in the rapid increase in the number of users of China Mobile and the continuing growth in the traditional wireless music search business of the Group. According to the figures released by Analysys International, as at the end of March 2011, the number of users of China Mobile had shot through the 600 million mark, and the total number of TD users was 26.992 million. In 2010, the revenue of China Mobile from wireless music was RMB28,642 million, which represented 18.9% of the revenue from overall value-adding business. It is anticipated that both the revenue and the proportion of revenue generated from wireless music to the total revenue of China Mobile will continue to rise in 2011.

The Group will focus on providing comprehensive personal digital entertainment services, with a view to provide integrated business such as music, entertainment information, games, comics and customer end applications, and will establish our own user group for digital entertainment and also expand step by step the size of number of users of non-music digital entertainment services as well as its proportion to the overall revenue. Our long-term strategy is to continue the expansion of our market share in wireless music search, and while we will maintain our leading market position in the paid wireless music search users, we will establish our leading market position in personal digital entertainment services.

Moreover, the in-depth operation project based on the wireless music search services with hundreds of million of users has also seen significant progress. We have reached agreement with a number of provincial level operators to roll out our collaboration in the in-depth music project to provide more personalized music services. Such project has a rosy outlook to become a new growth area of the Group.

Finally, we have full confidence in the sustainable development of the personal digital entertainment services in China, and firmly believe that we will continue to maintain our leading position in the wireless music search sector and will achieve our strategic objective of becoming the largest personal digital entertainment services provider.

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 under review.

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 under review.

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 2011.

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 year 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, 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 of the Company ("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, 22 June 2011

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.