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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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*If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.*

*If you have sold or transferred all your shares in Prosten Technology Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).*

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**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)****PLACING OF NEW SHARES  
GRANT OF SPECIAL MANDATE AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening the extraordinary general meeting (“EGM”) of Prosten Technology Holdings Limited (the “Company”) to be held at Empire Room 1, Level M, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Tuesday, 29 December 2009 at 10:30 a.m. is set out on pages 14 to 15 of this circular. A form of proxy for the EGM is enclosed with this circular. Whether you are able to attend the EGM or not, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM, or any adjourned meeting should you so wish.

This circular, for which the directors (“Directors”) of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 circular 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 circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This circular will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the day of its posting and on the Company’s website at [www.prosten.com](http://www.prosten.com).

\* For identification purpose only

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## CHARACTERISTICS OF GEM

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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 Stock 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 traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b>	
Introduction .....	3
The Placing .....	4
Changes to the shareholdings as a result of the Placing .....	9
Reasons for the Placing and information of the Subscriber .....	11
Use of proceeds .....	12
General information .....	12
Application for listing .....	12
The EGM .....	13
Voting by poll .....	13
Recommendations .....	13
<b>Notice of EGM</b> .....	14

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## DEFINITIONS

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*In this circular, unless otherwise indicated in the context, the following expressions have the following meanings:*

“Agreement”	the placing agreement dated 2 December 2009 and made between the Company and the Subscriber
“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“business day”	a day (other than a Saturday) on which banks in Hong Kong are open for business
“Company”	Prosten Technology Holdings Limited, the Shares of which are listed on GEM
“Completion Date”	the date of completion of the Agreement, which under the Agreement is provided to fall on the fifth (5th) business day next following the fulfillment of all the conditions precedent to completion of the Placing (or such other date as the Company and Subscriber may agree in writing)
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held for the purpose of considering (among other things), and if thought fit, approving the Agreement and the allotment and issue of the Placing Shares
“Existing General Mandate”	the general mandate granted to the Board at the annual general meeting of Company on 30 July 2009 to allot, issue and otherwise deal in up to 119,535,000 Shares
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“Independent Third Party(ies)”	such person(s) who is(are) independent of and not connected nor acting in concert with the Directors, chief executive, management shareholders or substantial shareholders of the Company or its subsidiaries, or any of their respective associates, or parties acting in concert with any of them
“Latest Practicable Date”	7 December 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Placing”	the placing of the Placing Shares pursuant to the terms of the Agreement
“Placing Price”	HK\$0.25 per Placing Share
“Placing Shares”	a total of 150 million new Shares to be subscribed for by the Subscriber pursuant to the Agreement
“PRC”	the People’s Republic of China
“Shareholder(s)”	registered holder(s) of Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Special Mandate”	a special mandate to be sought from Shareholders (or, as the case may be, the independent Shareholders) at the EGM for the allotment and issue of the Placing Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Right Advance Management Limited, a company incorporated under the laws of the British Virgin Islands and the subscriber of the Placing Shares under the Agreement
“Tallmany”	Tallmany Enterprises Limited, a management shareholder of the Company, which is also a holder of convertible bonds issued by the Company and a holder of exchangeable bonds issued by Uniright Group Limited (which is a substantial shareholder of the Company)
“Ultimate Beneficial Owner”	Mr WANG Leilei, who is the sole ultimate beneficial owner of all the equity interests in the Subscriber
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong

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## LETTER FROM THE BOARD

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**PROSTEN**

### **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)**

*Executive Directors:*

Mr Yip Heon Keung (*Chairman*)

Mr Yip Heon Ping

*Non-executive Directors:*

Dr Xu Zhiming

Mr Zhang Ying

*Registered office:*

Century Yard

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Independent non-executive Directors:*

Ms Tse Yuet Ling, Justine

Ms Lai May Lun

*Head office and principal place of business  
in Hong Kong:*

Unit A3, 11th Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

11 December 2009

*To the Shareholders*

Dear Sir or Madam,

### **PLACING OF NEW SHARES GRANT OF SPECIAL MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

#### **INTRODUCTION**

Reference is made to the announcement of the Company dated 2 December 2009 in which the Board announced that the Company and the Subscriber executed the Agreement on that date, pursuant to which the Subscriber has conditionally agreed to subscribe for 150 million new Shares at the Placing Price of HK\$0.25 per Placing Share.

The purpose of this circular is (i) to provide the Shareholders with details of the terms of the Agreement and the proposal for grant of the Special Mandate; and (ii) to give the Shareholders notice of the EGM and other information in compliance with the requirements of the GEM Listing Rules.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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### THE PLACING

**Date:** 2 December 2009

**Parties to the Agreement:**

The Agreement dated 2 December 2009 was entered into between the Company (as issuer) and the Subscriber (as subscriber).

According to the information provided by the Subscriber, the Subscriber is a company incorporated in the British Virgin Islands and wholly owned by the Ultimate Beneficial Owner (namely, Mr WANG Leilei).

The Ultimate Beneficial Owner was the chief executive officer of a sizable and leading wireless internet enterprise in the PRC. Both Mr YIP Heon Keung and Mr YIP Heon Ping (being executive Directors) knew him for some years. After the Group launched its music search services in 2007, the Group has started to develop business cooperation with KongZhong Corporation since May 2008, in which the Ultimate Beneficial Owner had investment. For the financial year 31 March 2009 and for the six-month period from April to September 2009, the revenue of the Group generated from its business with KongZhong Corporation amounted to about HK\$4.0 million (audited) and HK\$3.3 million (unaudited) respectively.

In September 2009, Mr YIP Heon Ping approached the Ultimate Beneficial Owner and proposed to explore further potential business cooperation between the Group and KongZhong Corporation. During the meeting, the Ultimate Beneficial Owner indicated on a preliminary basis of his interest in acquiring some Shares. Through a series of meetings and fact-finding exercise, the Company and the Subscriber entered into the Placing Agreement.

Otherwise than the agreement to subscribe for the Placing Shares under the Agreement, the Subscriber and the Ultimate Beneficial Owner are Independent Third Parties. Immediately before the signing of the Agreement, the Subscriber did not have any interest in any Shares. Immediately after completion of the Placing (if so completed), the Subscriber will become interested in about 20% of the Company's enlarged issued share capital. The aggregate nominal value of the Placing Shares is HK\$15 million.

**Number of Placing Shares:**

The Subscriber has agreed to subscribe for 150 million new Shares, representing (i) approximately 25% of the existing issued share capital of 600,055,000 Shares as at the Latest Practicable Date, or (ii) approximately 20% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares pursuant to the Placing.

**Placing price:**

HK\$0.25 per Placing Share.

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## LETTER FROM THE BOARD

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This price was agreed after arm's length negotiations between the Company and the Subscriber and with reference to the financial situation of the Company. The price per Placing Share represents (collectively, the "Benchmarked Price" as referred to in Rule 17.42B of the GEM Listing Rules):

- (i) a discount of approximately 65.28% to the closing price of HK\$0.720 per Share as quoted on the Stock Exchange at 4:00 p.m. on the date of the Agreement; and
- (ii) a discount of approximately 62.91% to the average closing price of approximately HK\$0.674 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the day of the Agreement (excluding the date of the Agreement).

The Placing Price represents a discount of 20% or more to the Benchmarked Price of the Shares. In arriving at the Placing Price, the Directors noted that during the period commencing on 1 April 2009 and up to 30 September 2009, the highest closing price on the Stock Exchange amounted to HK\$0.440 per Share, while the lowest closing price on the Stock Exchange amounted to HK\$0.200 per Share. Only in the period commencing on 1 October 2009 and up to the date of the Agreement, the highest closing price on the Stock Exchange amounted to HK\$0.900 per Share, while the lowest closing price on the Stock Exchange amounted to HK\$0.280 per Share. As the business and financial performance of the Group during the period commencing 1 April 2009 and up to 30 September 2009 (being the closing date of the first six-month period of the Company's financial year, which unaudited financial results were disclosed in the Company's interim report dated 9 November 2009), have not been significantly changed, the Subscriber was of the view (to which the Directors generally agreed) that the market price of the Shares for the period commencing 1 April 2009 and up to the 30 September 2009 (being the closing date of the first six-month period of the Company's financial year) would be more relevant for determining the Placing Price. For reference purpose only, the average closing price of Shares for the period commencing 1 April 2009 and up to the 30 September 2009 was HK0.291 per Share.



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## LETTER FROM THE BOARD

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Since the listing of the Shares in 2000 and except for the last two or more months immediately prior to the Latest Practicable Date, Shares have been in a generally low trading volume. There were no trading of Shares in many days. The following table shows the trading volumes and average closing prices of the Shares during the periods mentioned in that table:

Period	Average Trading Volume Per Day <i>(No. of Shares)</i>	Average Closing Price <i>HK\$</i>	No. of days
1    1 Apr 2009 – 30 Sep 2009	128,063	0.29	126
2    1 Oct 2009 – 2 Dec 2009	710,767	0.59	43
<b>Financial year ended</b>			
<b>31 March 2009 (for reference)</b>			
3    1 Apr 2008 – 31 Mar 2009	120,424	0.38	245
4    1 Apr 2008 – 30 Sep 2008	206,008	0.51	123
5    1 Oct 2008 – 2 Dec 2008	36,140	0.32	43

*Remarks*

- 1) Trading volume during the period 2 (1 October 2009 to 2 December 2009) is about 5.5 times compared to period 1 (1 April 2009 to 30 September 09).
- 2) Trading volume during period 2 (1 October 2009 to 2 December 2009) is about 19.7 time compared to the same period last year, i.e. period 5 (1 October 2008 to 2 December 2008).

Given the inactivity of trading of the Shares in the past, but a sudden increase in the trading volume and price of Shares beginning in around October 2009, it is the request of the Subscriber to take into account the average closing price of the Shares for a longer period as reference to the determination of the Placing Price, instead of adopting the average closing prices during a short period of trading volatility.

In addition, the profit (or, as the case may be, loss) attributable to equity holders of the Company for the following periods are summarised below:

	<b>31 March 2009</b>	<b>31 March 2008</b>
Financial year ended (audited)	HK\$15.6 million	HK\$26.5 million
	<b>30 June 2009</b>	<b>30 June 2008</b>
3 months ended (unaudited)	HK\$0.6 million	HK\$12.2 million
	<b>30 Sep 2009</b>	<b>30 Sep 2008</b>
6 months ended (unaudited)	(HK\$1.7 million) (i.e. a loss)	HK\$18.3 million

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## LETTER FROM THE BOARD

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As there were not any major or new projects being acquired or implemented in the last few months while the financial performance of the Group (in terms of profit) generally fell, the Company considered that the recent increases of Share price and volume were more of a speculative nature.

As at 30 September 2009, the Group's total assets amounted to about HK\$119 million, while the Group's net assets amounted to about HK\$58.8 million. As at the date of the Agreement, the Company had about 600 million Shares in issue. On such bases, as at 30 September 2009, (i) the total assets per Share was about HK\$0.198 and (ii) the net asset value per Share was about HK\$0.098. The Placing Price represents a premium over not only the net asset value per Share, but also the total assets of the Company per Share.

Having regard to all the above factors, the Directors (including the independent non-executive Directors) consider that the terms of the Agreement (including the Placing Price), which were arrived at after arm's length negotiation between the Company and the Subscriber, are fair and reasonable and in the interests of the Company and its Shareholders as a whole and the choice of a longer period is appropriate for determining the Placing Price.

### **Completion of the Placing and conditions precedent to the Completion:**

Completion of the Placing is conditional on the following conditions being fulfilled (or, in respect of items (c) and (d) below, waived by the Subscriber):

- (a) the GEM Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Placing Shares;
- (b) the approval by the Shareholders (or, as the case may be, the independent Shareholders) at the EGM of the Placing, the Agreement and the transactions contemplated thereby and all other consents and acts required under the GEM Listing Rules having been obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules having been obtained from the Stock Exchange; and
- (c) the receipt by the Subscriber of a legal opinion on the Cayman Islands laws in relation to the incorporation and existence of the Company and the legality of execution of the Agreement by the Company; and
- (d) the receipt by the Subscriber of a legal opinion on the laws of Hong Kong in relation to the legality, validity and enforceability of the Agreement against the Company in such form to the reasonable satisfaction of the Subscriber.

The above conditions under items (a) and (b) are not waivable by any of the parties to the Agreement. If any of the above conditions are not fulfilled or as to that under items (c) and/or (d) above being waived by the Subscriber on or before 31 December 2009 (or such other date as the Company and the Subscriber may agree in writing), the Agreement shall

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## LETTER FROM THE BOARD

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terminate and the respective obligations of the parties under the Agreement shall forthwith cease and terminate and none of the Company or the Subscriber shall have any claim against the other of them (save for any antecedent breaches).

Completion of the Placing will take place on the 5th business day immediately following the date on which all the above conditions are fulfilled or such other date as the Subscriber and the Company may agree in writing.

### **Existing General Mandate and Special Mandate**

The Board was granted the Existing General Mandate at the annual general meeting of the Company held on 30 July 2009 to allot, issue and otherwise deal in up to 119,535,000 Shares, representing 20% of the share capital of the Company in issue on the date of the aforementioned annual general meeting.

The Directors have not, prior to the Latest Practicable Date, exercised any of their powers conferred by such general mandate. However, as the Placing Price represents a discount of 20% or more to the Benchmarked Price of the Shares and the Placing Shares represent more than 20% of the issued share capital of the Company in issue on the date of the aforementioned annual general meeting, the Placing Shares will not be issued under the Existing General Mandate, but the Company will seek the grant of a Special Mandate (which is in addition to, and will not prejudice nor revoke the Existing General Mandate) to allot and issue the Placing Shares at the EGM to be convened and held by the Company.

### **Ranking:**

The Placing Shares will rank equally in all respects among themselves and with all other Shares in issue as at the date of such allotment and issue pursuant to the Agreement.

### **Lock up:**

The Subscriber undertakes to the Company that:

- (a) for a period commencing on the Completion Date and expiring on the date falling twelve (12) months from the Completion Date (“**First Restriction Period**”), unless with the prior written consent of the Company, the Subscriber shall not dispose of nor create or permit to subsist any encumbrance over all or any of the Placing Shares;
- (b) for the period commencing on the date falling after the expiry date of First Restriction Period and expiring on the date falling twenty-four (24) months from the Completion Date (“**Second Restriction Period**”), unless with the prior written consent of the Company, the number of Shares held by the Subscriber which may be disposed of or over which encumbrance may be created shall not exceed 50% of the total number of the Placing Shares;

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## LETTER FROM THE BOARD

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- (c) as at the date of the Agreement and (subject to completion of the Agreement) up to the expiry date of the Second Restriction Period, the Ultimate Beneficial Owner is and will remain to be the sole- or majority-owner of the entire issued share capital (i.e. holding no less than 50.1% of the voting rights) and controller of the Subscriber, provided that where any restructuring of the Subscriber is necessary, the Subscriber will (and will procure the Ultimate Beneficial Owner to) transfer the Placing Shares to such investment vehicle solely- or majority-owned (i.e. no less than 50.1% of the voting rights) and controlled by the Ultimate Beneficial Owner up to the expiry date of the Second Restriction Period.

### CHANGES TO THE SHAREHOLDINGS AS A RESULT OF THE PLACING

The shareholdings of the substantial shareholders of the Company immediately before the Placing and immediately after the Placing are as follows:

	<b>Shareholdings as at the Latest Practicable Date</b>		<b>Shareholdings immediately after the Placing</b>	
	<i>(Note 1)</i>			
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Greenford Company (PTC) Limited <i>(Note 2)</i>	122,597,702	20.43	122,597,702	16.35
Century Technology Holding (PTC) Limited <i>(Note 2)</i>	122,597,701	20.43	122,597,701	16.35
Bakersfield Global (PTC) Corporation <i>(Note 2)</i>	59,085,216	9.85	59,085,216	7.88
Uniright Group Limited <i>(Note 2)</i>	<u>100,000,000</u>	<u>16.67</u>	<u>100,000,000</u>	<u>13.33</u>
Sub-total (1):	404,280,619	67.38	404,280,619	53.91
First League Investments Limited <i>(Note 3)</i>	<u>17,819,381</u>	<u>2.97</u>	<u>17,819,381</u>	<u>2.37</u>
Sub-total (2):	422,100,000	70.35	422,100,000	56.28
Tallmany Enterprises Limited <i>(Note 4)</i>	30,000,000	5.00	30,000,000	4.00
Subscriber	<u>Nil</u>	<u>-</u>	<u>150,000,000</u>	<u>20.00</u>
Sub-total (3):	452,100,000	75.35	602,100,000	80.28
Knicks Capital Inc. and Mr Zhang Xingsheng <i>(Note 5)</i>	43,767,000	7.29	43,767,000	5.83
Public	<u>104,188,000</u>	<u>17.36</u>	<u>104,188,000</u>	<u>13.89</u>
Total	<u><u>600,055,000</u></u>	<u><u>100</u></u>	<u><u>750,055,000</u></u>	<u><u>100</u></u>

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## LETTER FROM THE BOARD

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*Notes:*

1. The number of existing Shares held by the Shareholders is based on the register of members of the Company as at the Latest Practicable Date. Percentage shareholdings as shown above added up together for certain items may not be equal to the sub-total figures due to rounding approximations.
2. Greenford Company (PTC) Limited is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Mr Yip Heon Ping (a Director). Greenford Company (PTC) Limited has established a unit trust, all the units issued under which are held under a discretionary family trust, the New Millennium Trust.

Century Technology Holding (PTC) Limited 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). Century Technology Holding (PTC) Limited has established a unit trust, all the units issued under which are held under a discretionary family trust, the New Millennium Trust.

Bakersfield Global (PTC) Corporation is a company incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned by Mr Yip Seng Mun. Bakersfield Global (PTC) Corporation has established a unit trust, all the units issued under which are held under a discretionary family trust, the New Millennium Trust.

The trustee of the New Millennium Trust is Ace Central Group (PTC) Limited, whose sole director and sole shareholder are both Mr Yip Heon Keung, who is a Director and a brother of Mr Yip Heon Ping. The settlor of the New Millennium Trust is Mr Yip Seng Mun, and one of the discretionary objects of the New Millennium Trust is Mr Yip Heon Ping. Mr Yip Seng Mun is the father of Mr Yip Heon Ping and Mr Yip Heon Keung.

3. First League Investments Limited is a company incorporated in the British Virgin Islands and its issued share capital is held as to 60% by Ms Leung Chan Yuet Fu and as to the remaining 40% by a former director of the Company, who is an Independent Third Party otherwise than his being a former Director of the Company. Ms Leung Chan Yuet Fu is the sister-in-law of Mr Yip Heon Wai (a former Director) who in turn is a son of Mr Yip Seng Mun and a brother of Mr Yip Heon Ping and Mr Yip Heon Keung.
4. Tallmany, a management shareholder of the Company, is a company incorporated in the British Virgin Islands. It is a wholly owned subsidiary of China Broadband Capital Partners, L.P., a fund established in the Cayman Island as an exempted limited partnership (the "Fund") CBC Partners, L.P. ("CBC Partners") holds approximately 1.01% of the issued share capital of the Fund, which in turn is ultimately wholly owned by Dr Edward Tian indirectly. Dr Xu Zhiming, a Director, is also a director of Tallmany.
5. By a placing and subscription agreement dated 18 May 2006, Knicks Capital Inc. ("Knicks Capital") acquired a total of 51,125,000 Shares in May 2006. Mr Zhang Xingsheng ("Mr Zhang") is the sole beneficial owner of Knicks Capital. The shareholdings were based on the latest notifications given to the Company by Knicks Capital and Mr Zhang up to the Latest Practicable Date. Each of Knicks Capital and Mr Zhang is considered to be a member of the public.

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## LETTER FROM THE BOARD

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### REASONS FOR THE PLACING AND INFORMATION OF THE SUBSCRIBER

The Group suffered loss for the six-month period ended 30 September 2009. It is expected that the operating environment for the coming months is still full of challenges, including potential changes in business policies by telecom operators in the PRC.

As indicated in the section headed “The Placing” above, which sets out the profit attributable to equity holders of the Company for the relevant periods, the Group’s financial position has been deteriorating recently. There is no assurance that the business environment will improve in the short or long run.

As mentioned in the Company’s announcements dated 21 October 2009 and 20 November 2009 respectively, in connection with the High Court action (“**High Court Action**”) brought by Tallmany against the Company, a summary judgment in favour of Tallmany was given in October 2009. Though the Company obtained in November 2009 a right to appeal such summary judgment and also an order to stay (i.e. suspend) the execution of such summary judgment, it was a term of the said order that a sum of HK\$36 million plus interest at the judgment rate from 10 March 2009 to the date of payment had to be paid into Court by the Company. Such date of payment was prescribed by the Court to be December 2009. The interest accrued amounted to about HK\$2.5 million. As a result of the above order, the Company is required to make payment into Court a total sum of about HK\$38.5 million. Though the money paid or to be paid currently belongs to the Company, it is not freely disposable by the Company.

Accordingly, the cash flow position of the Group has been tightening due to the payment into Court.

The Group, apart from having to reserve sufficient cashflows for further business losses, may have to get prepared to pay off the High Court Action (if the appeal is not successful or if any settlement may be reached before then). Taking into account the legal costs incurred by Tallmany, the amount to be paid to Tallmany could amount to HK\$40 million. If the said amount has to be paid, the cash position of the Company will drop to about HK\$34.6 million, which will result in a significant drop in its liquidity ratio, current ratio and current asset coverage over its current liability.

For the above reasons, the Directors believe that the Company is in need to maintain and further enhance its cash position and capital base by the Placing, which is in the interests of the Company.

The Subscriber is a shareholder of KongZhong Corporation, a company incorporated in 2002 and whose securities are listed on NASDAQ (i.e. National Association of Securities and Dealers Automated Quotation). Based on the information supplied by the Subscriber, KongZhong Corporation (NASDAQ: KONG), as a leading wireless internet company in China, is engaged in providing China’s mobile users with multidimensional wireless entertainment services. Through its three principal operations, namely wireless value-added services, mobile games and interactive entertainment WAP portal (Kong.net), KongZhong

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## **LETTER FROM THE BOARD**

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fosters for mobile users such wireless interactive products as mobile music, picture and ringtone downloading, community for making friends and mobile games and also provides news, entertainment, sports, reading, and many other wireless contents.

The Subscriber's principal business is investment holding. Since October 2008, the Ultimate Beneficial Owner has been the Chief Executive Officer and Chairman of the board of directors of KongZhong Corporation.

The Directors (including the independent non-executive Directors) consider the terms of the Agreement and the Agreement to be fair and reasonable and are in the best interests of the Company, as far as the Shareholders are concerned.

The Directors have considered other means to raise funds such as rights issues. However, due to the current loss-making status of the Group and the High Court Action, there is difficulty for the Company to find any underwriters for such rights issues. The Directors did approach some securities firms and their initial indication was not promising.

In the 12 months preceding the Latest Practicable Date, the Company has not conducted any equity fund raising exercises.

### **USE OF PROCEEDS**

The gross proceeds to be raised from the Placing will be about HK\$37.5 million. The net proceeds, after deducting related professional fees and all related expenses in the sum of about HK\$0.5 million which will be borne by the Company, under the Placing are estimated to be approximately HK\$37 million which the Company intends to use as general working capital of the Group. The net price per Placing Share is approximately HK\$0.247.

### **GENERAL INFORMATION**

The Group is principally engaged in provision of wireless mobile value added services and related business.

### **APPLICATION FOR LISTING**

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares. The Shares are listed and traded on GEM.

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## LETTER FROM THE BOARD

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### THE EGM

A notice convening the EGM of the Company to be held at Empire Room 1, Level M, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Tuesday, 29 December 2009 at 10:30 a.m. is set out on pages 14 to 15 of this circular. An ordinary resolution of the proposal for grant of the Special Mandate will be proposed at the EGM. A form of proxy for the EGM is enclosed with this circular. Whether you are able to attend the EGM or not, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy form will not preclude you from attending and voting in person at the EGM, or any adjourned meeting should you so wish.

### VOTING BY POLL

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the resolution proposed at the EGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

### RECOMMENDATIONS

The Directors consider that proposal for grant of the Special Mandate is in the best interests of the Company and Shareholders taken as a whole and the terms of the Agreement are fair and reasonable. The Directors accordingly recommend the Shareholders to vote in favour of the ordinary resolution referred to above to be proposed at the EGM.

Yours faithfully,  
By order of the Board  
**Prosten Technology Holdings Limited**  
**Yip Heon Keung**  
*Chairman*



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## NOTICE OF EGM

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The logo for Prosten Technology Holdings Limited, featuring the word "PROSTEN" in a bold, white, sans-serif font inside a black, horizontally-oriented oval shape.

### 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)

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (“**Meeting**”) of Prosten Technology Holdings Limited (“**Company**”) will be held at Empire Room 1, Level M, Empire Hotel, 33 Hennessy Road, Wanchai, Hong Kong on Tuesday, 29 December 2009 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT**

- (a) the agreement (“**Agreement**”) dated 2 December 2009 and entered into between the Company as issuer and Right Advance Management Limited (“**Subscriber**”) as subscriber, pursuant to which the Company agreed to place and the Subscriber agreed to subscribe for 150 million (“**Placing Shares**”) new ordinary shares (“**Shares**”) of HK\$0.10 each in the share capital of the Company at the placing price of HK\$0.25 per Placing Share (a copy of which has been produced to this Meeting marked “A” and initialled by the chairman of the Meeting for the purpose of identification) and all the transactions contemplated under the Agreement and all other matters of and incidental thereto or in connection therewith, be and are hereby generally and unconditionally approved in all respects and that the directors (“**Directors**”) of the Company be and they are hereby generally and unconditionally authorised to (subject to the GEM Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Placing Shares) allot and issue the Placing Shares (“**Special Mandate**”) on and subject to the terms of the Agreement, and to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which, in the opinion of the Directors, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated by, the Agreement and to agree to such variation, amendments or waiver or matters relating thereto (which are not fundamentally different from those as provided under the Agreement) as are, in the opinion of the Directors, in the interest of the Company and its shareholders as a whole; and

\* For identification purpose only

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## NOTICE OF EGM

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- (b) provided that the Special Mandate shall be in addition to, and shall not prejudice nor revoke the existing general mandate granted to the Directors by the shareholders of the Company in the annual general meeting of the Company held on 30 July 2009 or such other general or special mandate(s) which may from time to time be granted to the Directors prior to the passing of this Resolution.”

By order of the Board  
**Prosten Technology Holdings Limited**  
**Yip Heon Keung**  
*Chairman*

Hong Kong, 11 December 2009

*Head office and principal place of business in Hong Kong:*

Unit A3, 11th Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road  
Wanchai  
Hong Kong

*Notes:*

1. The above resolution (which for clarity purpose has been presented in two parts, namely, (a) and (b)) shall be voted as a single resolution only.
2. As at the date of this notice, the board of Directors comprises Mr Yip Heon Keung and Mr Yip Heon Ping (as executive Directors); Dr Xu Zhiming and Mr Zhang Ying (as non-executive Directors) and Ms Tse Yuet Ling, Justine and Ms Lai May Lun (as independent non-executive Directors).
3. Any shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint another person as his proxy to attend and vote in his stead in accordance with the articles of association of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend and vote on his behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. A proxy need not be a shareholder of the Company.
4. In order to be valid, a form of proxy together with any power of attorney or other authority (if any) under which it is signed or a notorially certified copy of such power of attorney or authority, must be deposited with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjourned meeting thereof.