



## PROSTEN TECHNOLOGY HOLDINGS LIMITED

長達科技控股有限公司 \*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8026)**

### THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2015

#### 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.**

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*This announcement, for which the directors (the “Directors”) of Prosten Technology Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*\* For identification purpose only*

## HIGHLIGHTS

- Revenue of the Group for the nine months ended 31 December 2015 amounted to about HK\$7.00 million, representing a 14.8% decrease as compared to the corresponding period in the previous financial year.
- The Group's gross profit for the nine months ended 31 December 2015 was about HK\$4.14 million, decreased by about HK\$1.86 million compared with the same period of last year.
- Loss attributable to equity holders of the Company for the nine months ended 31 December 2015 amounted to about HK\$18.27 million, which represented a decrease in loss of about HK\$3.81 million compared with the same period of 2014.
- The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2015.

## UNAUDITED CONSOLIDATED RESULTS

The board of Directors (the “Board”) of the Company announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the nine months and three months ended 31 December 2015 together with the unaudited comparative figures for the corresponding periods in 2014 as follows:

	Notes	Nine months ended 31 December		Three months ended 31 December	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Revenue</b>	2	<b>7,004</b>	8,218	<b>2,769</b>	2,749
Cost of sales		<b>(2,868)</b>	(2,219)	<b>(2,130)</b>	(513)
Gross profit		<b>4,136</b>	5,999	<b>639</b>	2,236
Other income and gains		<b>1,325</b>	1,577	<b>913</b>	1,207
Selling expenses		<b>(3,784)</b>	(2,217)	<b>(2,238)</b>	(751)
Administrative expenses		<b>(19,678)</b>	(25,384)	<b>(8,919)</b>	(7,679)
Other expenses		<b>(257)</b>	(2,028)	<b>(28)</b>	(177)
Finance costs		<b>(10)</b>	(24)	<b>—</b>	(14)
<b>Loss before tax</b>		<b>(18,268)</b>	(22,077)	<b>(9,633)</b>	(5,178)
Income tax expense	3	<b>—</b>	—	<b>—</b>	—
<b>Loss for the period attributable to equity holders of the Company</b>		<b>(18,268)</b>	(22,077)	<b>(9,633)</b>	(5,178)
<b>Other comprehensive expense</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of foreign operations		<b>(100)</b>	—	<b>(432)</b>	—
<b>Total comprehensive expense for the period</b>		<b>(18,368)</b>	(22,077)	<b>(10,065)</b>	(5,178)
Loss per share attributable to equity holders of the Company	4				
Basic		<b>HK(2.14) cents</b>	HK(2.90) cents	<b>HK(1.03) cents</b>	HK(0.67) cents
Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

*Notes:*

## **1. BASIS OF PREPARATION**

The Group's unaudited consolidated results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. In addition, the unaudited consolidated results include applicable disclosures required by the GEM Listing Rules. The measurement basis used in the preparation of the unaudited consolidated results is the historical cost convention, except for the investment property which has been measured at fair value. These unaudited consolidated results are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies applied in the preparation of the unaudited consolidated results are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2015, except that the Group has adopted a number of new or revised HKFRSs, which are newly effective for the period under review. The adoption of these new or revised HKFRSs had no significant effect on the financial results of the current period. Accordingly, no change in significant accounting policies and no prior period adjustment is required.

The Group has not applied or early adopted the new or revised HKFRSs (including their consequential amendments) which are relevant to the Group that have been issued but are not yet effective in the preparation of these unaudited consolidated results. The Group is currently assessing the impact of these new or revised HKFRSs upon initial application but is not yet in a position to state whether these new or revised HKFRSs would have any significant impact on its results of operations and financial position. It is anticipated that all of the pronouncements will be adopted in the Group's accounting policies in the accounting periods when they first become effective.

The unaudited consolidated results have been reviewed by the audit committee of the Company ("Audit Committee").

## **2. REVENUE**

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

### **3. INCOME TAX EXPENSE**

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the nine months and three months ended 31 December 2015 (nine months and three months ended 31 December 2014: 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.

### **4. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY**

The calculations of the basic loss per share for the nine months and three months ended 31 December 2015 are based on the unaudited loss for the periods attributable to equity holders of the Company of approximately HK\$18,268,000 (nine months ended 31 December 2014: HK\$22,077,000) and approximately HK\$9,633,000 (three months ended 31 December 2014: HK\$5,178,000) respectively, and the weighted average numbers of ordinary shares in issue of 854,786,250 and 935,512,500, respectively, for the nine months and three months ended 31 December 2015 (nine months and three months ended 31 December 2014: 760,319,363 and 768,205,000 respectively).

No diluted loss per share for the periods are calculated as there were no dilutive potential ordinary shares in existence at 31 December 2015 and 2014.

## 5. RESERVES

	Share premium account <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i> <i>(Note a)</i>	Foreign currency translation reserve <i>HK\$'000</i> <i>(Note b)</i>	Share option reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2015 (audited)	378,628	3,349	14,787	611	(487,852)	(90,477)
Loss for the period (unaudited)	—	—	—	—	(18,268)	(18,268)
Other comprehensive expense for the period (unaudited)						
Exchange difference on translation of foreign operation (unaudited)	—	—	(100)	—	—	(100)
Total comprehensive expense for the period (unaudited)	—	—	(100)	—	(18,268)	(18,368)
Equity-settled share option arrangements (unaudited)	—	—	—	79	—	79
Exercise of share options (unaudited)	704	—	—	(401)	—	303
Placement of new shares (unaudited)	44,969	—	—	—	—	44,969
Expense on issue of new shares (unaudited)	(1,359)	—	—	—	—	(1,359)
At 31 December 2015 (unaudited)	<u>422,942</u>	<u>3,349</u>	<u>14,687</u>	<u>289</u>	<u>(506,120)</u>	<u>(64,853)</u>
At 1 April 2014 (audited)	372,468	3,349	14,804	10,041	(465,481)	(64,819)
Loss for the period (unaudited)	—	—	—	—	(22,077)	(22,077)
Total comprehensive expense for the period (unaudited)	—	—	—	—	(22,077)	(22,077)
Equity-settled share option arrangements (unaudited)	—	—	—	228	—	228
Transfer of share option reserve on the forfeited share options (unaudited)	—	—	—	(7,336)	7,336	—
Exercise of share options (unaudited)	3,841	—	—	(2,362)	—	1,479
At 31 December 2014 (unaudited)	<u>376,309</u>	<u>3,349</u>	<u>14,804</u>	<u>571</u>	<u>(480,222)</u>	<u>(85,189)</u>

*Notes:*

(a) Statutory reserve fund

Pursuant to the relevant laws and regulations for business enterprises in the People's Republic of China (the "PRC"), a portion of the profits of the entities which are registered in the PRC has been transferred to the statutory reserve fund which is restricted as to use. When the balance of such reserve fund reaches 50% of the capital of that entity, any further appropriation is optional. The statutory reserve fund can be utilised, upon approval of the relevant authority, to offset prior years' losses or to increase capital. However, the balance of the statutory reserve fund must be maintained at least 25% of capital after such usage.

(b) Foreign currency translation reserve

Foreign currency translation reserve represents exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) which are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Such exchange differences accumulated in the foreign currency translation reserve will be reclassified to profit or loss on the disposal of the foreign operations.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the nine months ended 31 December 2015 (2014: nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Review**

#### ***Result***

##### *Revenue*

During the nine months and three months ended 31 December 2015, the Group has recorded revenue of approximately HK\$7.00 million and HK\$2.77 million, respectively, representing a drop of approximately 14.8% and increase of approximately 0.7% as compared to the revenue of for the nine months and three months ended 31 December 2014, respectively.

During the periods under review, revenue generated from the Group's wireless music search ("WMS") services in the PRC was one of the main streams of income of the Group. Following the trend from the previous periods, the difficult business environment continues to challenge the Group and the WMS services contracts have expired. This resulted in a decrease in the revenue from music search services. The decrease of revenue was partly compensated by the revenue from new business.

Since October 2015, the Group has generated revenue of approximately HK\$1.94 million (2014: Nil) from its new jewellery retailing business ("JRB"), which attributed to the increase in revenue in the three months ended 31 December 2015.

##### *Cost of sales*

The Group's cost of sales for the periods under review was approximately HK\$2.87 million and HK\$2.13 million for the nine months and three months ended 31 December 2015, respectively, representing an increase of approximately 29.3% and 317.6% compared to those of approximately HK\$2.22 million and HK\$0.51 million for the nine months and three months ended 31 December 2014, respectively.

The cost of sales during the period under review in respect of JRB was approximately HK\$1.83 million for the nine months and three months ended 31 December 2015 (2014: Nil).



### *Other income and gains*

Other income and gains mainly represented investment income, interest income and gain from revaluation of investment property. The overall level of other income and gains for the nine months and three months ended 31 December 2015 was decreased compared to the nine months and three months ended 31 December 2014 since there was gain on disposal of fixed assets in 2014. The decrease was partly offset by the gain from revaluation of investment property.

### *Expenses*

The Group's expenses mainly comprised selling expenses, administrative expenses and other expenses. The Group's selling expenses increased from approximately HK\$2.22 million and HK\$0.75 million for the nine months and three months ended 31 December 2014 respectively to approximately HK\$3.78 million and HK\$2.24 million for the nine months and three months ended 31 December 2015. Administrative expenses decreased from approximately HK\$25.38 million for the nine months ended 31 December 2014 to approximately HK\$19.68 million for the nine months ended 31 December 2015. However, the administrative expenses for the three months ended 31 December 2015 was increase from approximately HK\$7.68 million for the three months ended 31 December 2014 to approximately HK\$8.92 million for the three months ended 31 December 2015. At the same time, other expenses, which mainly represented expenses for product and staff development and other non-operating expenses, decreased from approximately HK\$2.03 million and HK\$0.18 million for the nine months and three months ended 31 December 2014, to approximately HK\$0.26 million and HK\$0.03 million for the nine months and three months ended 31 December 2015, respectively.

### *Loss for the period*

As a combination effect of the above, the loss attributable to equity holders of the Company for the first three quarters of 2015 amounted to approximately HK\$18.27 million, as compared to that of approximately HK\$22.08 million for the same period last year.

## ***Financial Position***

### *Liquidity and financial resources*

The Group adopts a prudent cash and financial management policy. In order to achieve better-cost control and minimize the cost of funds, the Group's treasury activities are centralized and cash is generally placed in deposits with banks.

During the nine months ended 31 December 2015, the Group has financed its operations mainly by revenue generated from its operations and proceeds from placing. The cash and bank balances (including pledged bank deposits) as at 31 December 2015 was amounted to approximately HK\$19.04 million, representing an increase of about HK\$17.26 million from approximately HK\$1.78 million as at 31 March 2015.

As at both 31 March 2015 and 31 December 2015, the Group did not have any bank loans. There was no seasonality as to the Group's borrowing requirements and no other committed borrowing facilities.

#### *Total equity*

As at 31 December 2015, the Group has net assets amounted to approximately HK\$28.70 million (31 March 2015: total deficit in assets of approximately HK\$10.87 million) and net current assets amount to approximately HK\$4.86 million (31 March 2015: net current liabilities of approximately HK\$18.06 million).

#### *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 December 2015, no related hedges were made by the Group (31 March 2015: nil).

#### *Contingent liabilities*

As at 31 December 2015, the Group had no material contingent liabilities (31 March 2015: nil).

#### *Significant investments, acquisitions or disposals*

Excepted as disclosed in available-for-sale investments and business review and outlook, there were no further significant investments or material acquisitions or disposals by the Company during the periods ended 31 December 2015 (periods ended 31 December 2014: nil).

### *Charges on assets*

During the nine months ended 31 December 2015, the loan from an independent third party pledged by a property of the Group at the carrying value of approximately HK\$4.37 million was fully repaid and the pledge of the property was released during the period ended 31 December 2015. (31 March 2015: property with carrying value of approximately HK\$4.37 million was pledged).

### *Capital structure*

The shares of the Company were listed on GEM on 28 March 2000. During the period under review, share options to subscribe for a total of 3,137,500 shares of the Company were exercised to subscribe for such shares of the Company.

During the period under review, the Company had completed the placing of shares. Details of the placing of shares and the related use of proceeds from placing, were set out in announcements dated 31 July 2015, 21 August 2015 and 29 September 2015, respectively. As at the date of this announcement, the net proceeds used had been applied in accordance with the intended uses as described in the announcement dated 29 September 2015.

### *Available-for-sale investments*

During the period, the Company had acquired 6% shareholdings in Hong Kong Net TV Limited from a vendor, and completed the acquisition on 21 December 2015. Details of such acquisition are set out in announcements of the Company dated 23 October and 21 December 2015, respectively.

## **Business Review and Outlook**

Global economy had faced uncertainty and volatility environment during the third quarter of 2015, and the telecommunication operators have tight policy on the co-marketing and supporting services costs. During the quarter, the WMS service contracts were expired.

Despite of such unforeseeable changes, the Group continues to search for investment opportunities to diversify business and enhance the long-term growth of the Group.

Looking ahead, the Group will be still facing great challenges. While carrying out initiatives already under way in its current strategic plans, the Group will also critically review the future opportunities in its traditional businesses with a target to reallocate the Group's resources for a more fruitful manner.

In addition, the Group would adopt prudent policy and would like to expand cautiously into new businesses, including jewellery, advertising and pharmaceutical businesses and also intends to expand further into financial services industry. Details of such new business development are set out in the voluntary announcements dated 23 December 2015 and 22 January 2016 respectively.

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

As at 31 December 2015, 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**

<b>Name of Director</b>	<i>Notes</i>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares</b>	<b>Percentage of the Company's issued share capital</b> <i>Note (3)</i>
Mr. Yip Heon Keung	(1)	Personal Interest	6,300,000	0.67%
Mr. Chen Weixi	(2)	Interest of a controlled corporation	294,276,619	31.46%

*Notes:*

- (1) Mr. Yip Heon Keung is personally interested in 6,300,000 shares of the Company.
- (2) 294,276,619 shares of the Company are held by Dynamic Peak Limited ("Dynamic Peak") and its entire issued share capital is held as to 80% by Mr. Chen Weixi and as to the remaining 20% by Mr. Xu Zhigang, the chairman of the Company. By virtue of the SFO, Mr. Chen Weixi is deemed to be interested in 294,276,619 shares of the Company held by Dynamic Peak.
- (3) Based on 935,512,500 shares of the Company in issue as at 31 December 2015.

## **Long positions in underlying shares of the Company**

### ***Share Option Schemes***

The Company adopts and administers a share option scheme which is currently in force and effect for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company's original share option scheme was approved by the shareholders of the Company ("Shareholders") on 7 March 2000 (the "2000 Scheme"), and was terminated and replaced by a share option scheme approved by the Shareholders on 9 April 2002 (the "2002 Scheme"). The 2002 Scheme was terminated and replaced by a new share option scheme approved by the Shareholders on 5 August 2011 (the "New Scheme"). The options granted under the 2000 Scheme, which were not exercised, terminated or expired previously, became expired on 21 August 2011.

A summary of the share option schemes is set out below:

#### **(a) 2002 Scheme**

The 2002 Scheme became effective for a period of 10 years commencing on 23 April 2002. Eligible participants of the 2002 Scheme include all Directors and employees of the Group, suppliers, customers, consultants who provided services to the Group, shareholders of the subsidiaries of the Group and joint venture partners. Under the 2002 Scheme, the Directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company. The exercise period of the options granted is determinable by the Directors, and commences after a certain vesting period and ends in any event not later than 10 years from the respective date when the share options are granted, subject to the provisions for early termination thereof. The 2002 Scheme was terminated and replaced by the New Scheme with effect from 5 August 2011. The options granted under the 2002 Scheme remain exercisable within their respective exercise periods.

**(b) New Scheme**

At the annual general meeting of the Company held on 5 August 2011 (the “2011 AGM”), an ordinary resolution was passed by the Shareholders to approve and adopt the New Scheme in place of the 2002 Scheme.

The New Scheme became effective for a period of 10 years commencing on 10 August 2011. Eligible participants of the New Scheme include all Directors and employees of the Group, suppliers, customers, consultants who provided services to the Group, shareholders of the subsidiaries of the Group and joint venture partners. Under the New Scheme, the Directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company at the highest of (i) the closing price of shares of the Company on GEM as stated in the Exchange’s daily quotation sheet on the date of the offer of grant; (ii) the average closing price of the shares of the Company on GEM as stated in the Exchange’s daily 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, which commences after the date of offer with a certain vesting period and ends in any event not later than 10 years from the respective date when the share options are granted, subject to the provisions for early termination thereof.

The 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 2011 AGM.

The maximum number of shares to be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the relevant class of shares of the Company in issue from time to time.

The number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Shareholders. Options granted to substantial shareholders or independent non-executive Directors in excess of 0.1% of the Company’s share capital and with an aggregate value in excess of HK\$5 million must be approved in advance by the Shareholders. The New Scheme does not provide for any minimum period for holding of options or any performance target before exercise of options.

## Options to subscribe for shares of the Company under the 2002 Scheme

Details of the outstanding share options during the nine months period are as follows:

Name or category of participant	Number of shares issuable under the options***				At 31 December 2015	Date of share options granted*	Exercise period of share options granted	Exercise price of share options granted** <i>HK\$ per share</i>
	At 1 April 2015	Transferred during	Exercised during	Lapsed during				
<b>Other employees of the Group</b>								
In aggregate	200,000	—	(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>400,000</u>	<u>—</u>	<u>(400,000)</u>	<u>—</u>	<u>—</u>			

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

Details of the outstanding share options during the nine months period are as follows:

Name or category of participant	Number of shares issuable under the options***				At 31 December 2015	Date of share options granted*	Exercise period of share options granted	Exercise price of share options granted** <i>HK\$ per share</i>
	At 1 April 2015	Transferred during	Exercised during	Lapsed during				
<b>Directors</b>								
Mr. Yip Heon Keung	1,400,000	—	(700,000)	—	700,000	5 December 2013	5 December 2013 to 4 December 2023	0.165
<sup>#</sup> Mr. Yip Heon Ping	1,400,000	(700,000)	(700,000)	—	—	5 December 2013	5 December 2013 to 4 December 2023	0.165
	<u>2,800,000</u>	<u>(700,000)</u>	<u>(1,400,000)</u>	<u>—</u>	<u>700,000</u>			
<b>Other employees of the Group</b>								
In aggregate	50,000	—	(37,500)	—	12,500	27 March 2013	27 March 2013 to 26 March 2023	0.162
In aggregate	2,600,000	700,000	(1,300,000)	—	2,000,000	5 December 2013	5 December 2013 to 4 December 2023	0.165
	<u>5,450,000</u>	<u>—</u>	<u>(2,737,500)</u>	<u>—</u>	<u>2,712,500</u>			



- \* 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. Outstanding share options with exercise price of HK\$0.165 per shares in relation to 2,700,000 shares became vested on 5 December 2015 and the remaining outstanding share options with exercise price of HK\$0.162 in relation to 12,500 shares has lapsed in January 2016.
- \*\* The exercise price of the share options is subject to some adjustments in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- \*\*\* There were no share options cancelled during the period.
- # Mr. Yip Heon Ping has ceased to be a Director of the Company since 17 July 2015 but he is still entitled to his share options to subscribe for 700,000 shares of the Company in his capacity as an employee of the Group.

As at 31 December 2015, the Company had outstanding options to subscribe for up to 2,712,500 shares under the New Scheme.

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executive of the Company had an interest or short position in the ordinary shares or underlying shares of the Company or any of its associated corporations that was notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, 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 <i>Note (4)</i>
Dynamic Peak Limited	(1)	Beneficially owned	294,276,619	31.46%
Right Advance Management Limited	(2)	Beneficially owned	111,000,000	11.87%
Ms. Wang Li Mei	(2)	Interest of a controlled corporation	111,000,000	11.87%
Mr. Wang Leilei	(2)	Interest of a controlled corporation	111,000,000	11.87%
Will City Limited	(3)	Beneficially owned	100,000,000	10.69%
Ms. Zhang Yingnan	(3)	Interest of a controlled corporation	100,000,000	10.69%
Mr. Pei Chuang		Beneficially owned	95,000,000	10.15%

*Notes:*

- (1) Dynamic Peak is a company incorporated in the British Virgin Islands and its entire issued share capital is held as to 80% by Mr. Chen Weixi and as to the remaining 20% by Mr. Xu Zhigang. Both of them are Directors.
- (2) Right Advance Management Limited (“Right Advance”) is a company incorporated in the British Virgin Islands and its entire issued share capital is registered in the name of Ms. Wang Li Mei, and such shares are ultimately owned by Mr. Wang Leilei. Ms. Wang Li Mei is the sole director of Right Advance.
- (3) Will City Limited is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Ms. Zhang Yingnan.
- (4) Based on 935,512,500 shares of the Company in issue as at 31 December 2015.

Save as disclosed above, as at 31 December 2015, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **COMPETING INTERESTS**

None of the Directors or the controlling shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) have any interests in a business which competes or may compete with the business of the Group, or has any other conflict of interest with the Group during the period under review.

## **PURCHASE, REDEMPTION OR SALE OF THE COMPANY’S LISTED SECURITIES**

On 21 August 2015, an aggregate of 136,270,000 placing shares were successfully placed under general mandate to not fewer than six places, which are independent third parties of the Group, at the placing price of HK\$0.43 per placing share. The 136,270,000 placing shares represents approximately 17.05% of existing issued share capital of the Company on 31 July 2015, the date the placing agreement was entered into, and approximately 14.57% of the issued share capital of the Company as enlarged by the placing shares.

During the period, the Company has issued and allotted 3,137,500 new shares at par value of HK\$0.1 per share, as a result of the exercise of share options to the share option holders of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s listed securities.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the nine months ended 31 December 2015.

## **CORPORATE GOVERNANCE CODE**

Save as the deviation disclosed below, the Company has complied with all the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 15 to the GEM Listing Rules throughout the period under review.

With respect to the deviation, the CG Code provision A.2.1 provides that the roles of the chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. Following the resignation of Ms. Li Luyi as the CEO on 5 February 2015, the appointment of the CEO is still outstanding. Since then, Mr. Yip Heon Keung, the former chairman of the Board, assumed the post of the acting CEO until 11 August 2015. With effect from 12 August 2015, the chairman of the Board, Mr. Xu Zhigang assumed the post of the acting CEO during the transitional period until such vacancy is filled up by a suitable candidate. The Board considers that the current arrangement is adequate in view of the size and complexity of the Group's operations. The Board will, nonetheless, review the business growth of the Group and locate suitable candidate to fill the vacancy of the CEO when considered essential and will continue setting out a clear division of responsibilities at the board level and the day-to-day management team to ensure a proper balance of power and authority within the Company.

## **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 review and supervision of the Group's financial reporting system and risk management and internal control procedures, review of the Group's financial information and review of the Group's relationship with its auditors.

As at the date of this announcement, the Audit Committee comprised three independent non-executive Directors, namely Mr. Poon Yan Wai (Chairman of the Audit Committee), Mr. Xu Xiaoping and Mr. Lam Kwok Cheong and one non-executive Director, Mr. Chen Weixi.

The Audit Committee has reviewed this announcement and has provided advice and comments thereon.

## REMUNERATION COMMITTEE

In accordance with the CG Code, the Company established the remuneration committee (“Remuneration Committee”) on 17 June 2005 with written terms of reference. The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company’s policy and structure for remuneration of all 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, namely Mr. Xu Xiaoping (Chairman of the Remuneration Committee) and Mr. Lam Kwok Cheong, and one executive Director, Mr. Xu Zhigang.

## NOMINATION COMMITTEE

In accordance with the CG Code, the Company established the nomination committee (“Nomination Committee”) on 29 March 2012 with written terms of reference. The principal responsibilities of the Nomination Committee include formulating nomination policy and making recommendations to the Board on nomination and appointment of Directors and Board succession, developing selection procedures for nomination of candidates, reviewing the size, structure and composition of the Board, as well as assessing the independence of independent non-executive Directors.

The Nomination Committee comprises one executive Director, namely Mr. Xu Zhigang (Chairman of the Nomination Committee) and two independent nonexecutive Directors, Mr. Xu Xiaoping and Mr. Lam Kwok Cheong.

By Order of the Board

**Xu Zhigang**

*Chairman*

Hong Kong, 12 February 2016

*As at the date of this announcement, the Board comprises Mr. Xu Zhigang, Mr. Han Jun and Ms. Ding Pingying (all of them are executive Directors); Mr. Chen Weixi and Mr. Yip Heon Keung (both of them are non-executive Director); Mr. Poon Yan Wai, Mr. Xu Xiaoping and Mr. Lam Kwok Cheong (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](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).*