



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 2012

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

Hong Kong Exchanges and Clearing Limited and the Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2012 amounted to approximately HK\$67.2 million, decreased by 21.7% as compared to last year.
- The Group attained gross profit of approximately HK\$35.2 million for the year ended 31 March 2012, decreased by 46.3% as compared to last year.
- The loss attributable to equity holders of the Company for the year ended 31 March 2012 amounted to approximately HK\$25.5 million as compared to a profit of approximately HK\$1.3 million in the previous financial year.
- The Board does not recommend the payment of any dividend for the year ended 31 March 2012.

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 2012 together with the comparative audited figures for the year ended 31 March 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2012

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenue	4	67,244	85,846
Cost of sales		<u>(32,033)</u>	<u>(20,343)</u>
Gross profit		35,211	65,503
Other income and gains	4	1,274	1,518
Selling expenses		(12,552)	(19,242)
Administrative expenses		(42,917)	(39,729)
Other expenses		(4,608)	(3,512)
Impairment loss recognised in respect of goodwill		(188)	—
Finance costs	5	<u>(69)</u>	<u>(14)</u>
(Loss)/profit before taxation	6	(23,849)	4,524
Income tax expense	7	<u>(1,626)</u>	<u>(3,229)</u>
(Loss)/profit for the year attributable to equity holders of the Company		(25,475)	1,295
Other comprehensive income			
Exchange differences on translation of foreign operations		<u>3,301</u>	<u>2,148</u>
Total comprehensive (expense)/income for the year		<u>(22,174)</u>	<u>3,443</u>
(Loss)/earnings per share attributable to equity holders of the Company			
Basic	8	<u>(HK3.37) cents</u>	<u>HK0.17 cent</u>
Diluted		<u>N/A</u>	<u>HK0.17 cent</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 March 2012

	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		4,043	4,527
Investment property		3,444	3,278
Deposits		717	826
Available-for-sale investments		826	809
Goodwill		—	—
Deferred tax assets		1,303	3,615
		<hr/>	<hr/>
Total non-current assets		10,333	13,055
CURRENT ASSETS			
Trade receivables	9	17,176	68,834
Prepayments, deposits and other receivables		7,147	6,865
Due from Directors		—	1,251
Pledged deposits		247	236
Cash and cash equivalents		67,135	33,937
		<hr/>	<hr/>
Total current assets		91,705	111,123
CURRENT LIABILITIES			
Trade payables	10	3,407	3,773
Other payables and accruals		14,924	13,788
Due to Directors		741	—
Finance lease payables		—	52
Tax payable		4,708	6,997
		<hr/>	<hr/>
Total current liabilities		23,780	24,610
		<hr/>	<hr/>
NET CURRENT ASSETS		67,925	86,513
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		78,258	99,568
		<hr/>	<hr/>
NON-CURRENT LIABILITY			
Deferred tax liability		493	472
		<hr/>	<hr/>
Net assets		77,765	99,096
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Total equity attributable to equity holders of the Company			
Share capital	11	75,635	75,635
Reserves		2,130	23,461
		<hr/>	<hr/>
Total equity		77,765	99,096
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2012

	Attributable to equity holders of the Company							
	Share 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 2011	75,635	372,468	770	10,311	7,952	(368,040)	23,461	99,096
Loss for the year	—	—	—	—	—	(25,475)	(25,475)	(25,475)
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	—	—	—	3,301	—	—	3,301	3,301
Total comprehensive income/ (expense) for the year	—	—	—	3,301	—	(25,475)	(22,174)	(22,174)
Equity-settled share option arrangements	—	—	—	—	843	—	843	843
Transfer of share option reserve on the forfeited share options	—	—	—	—	(1,038)	1,038	—	—
Transfer to statutory reserve fund	—	—	2,579	—	—	(2,579)	—	—
At 31 March 2012	<u>75,635</u>	<u>372,468</u>	<u>3,349</u>	<u>13,612</u>	<u>7,757</u>	<u>(395,056)</u>	<u>2,130</u>	<u>77,765</u>
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 operations	—	—	—	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	<u>75,635</u>	<u>372,468</u>	<u>770</u>	<u>10,311</u>	<u>7,952</u>	<u>(368,040)</u>	<u>23,461</u>	<u>99,096</u>

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 (“Int”)) 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 Companies Ordinance, Laws of Hong Kong (Chapter 32). They have been prepared under the historical cost convention, except for investment property, which has been measured at fair value. These summary of consolidated financial statements are presented in Hong Kong dollars 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 for the year ended 31 March 2012. 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 POLICIES AND DISCLOSURES

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA, which are relevant to the Group and effective for the first time for the Group’s current year’s financial statements.

Amendments to HKFRSs	Improvements to HKFRSs Issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HK(IFRIC*)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC*)-Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRS 1 Amendments	First-time adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters

* IFRIC represents the International Financial Reporting Interpretations Committee.

The application of the above new or revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these summary of consolidated financial statements.

2.2 HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective in these summary of consolidated financial statements.

Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets ¹
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities ⁴
HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁶
Amendments	
HKFRS 9	Financial Instruments ⁶
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosure of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
Amendments to HKAS 1	Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income ³
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (as revised in 2011)	Employee Benefits ⁴
HKAS 27 (as revised in 2011)	Separate Financial Statements ⁴
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ⁴
HKAS 32 Amendments	Offsetting Financial Assets and Financial Liabilities ⁵
HK(IFRIC*)-Int 20	Stripping Costs in the Production Phase of a Surface Mine ⁴
HKFRS 1 Amendments	First-time adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 January 2014

⁶ Effective for annual periods beginning on or after 1 January 2015

* IFRIC represents the International Financial Reporting Interpretations Committee.

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 any significant impact on its results 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 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 2012, revenues of approximately HK\$24,880,000 (2011: HK\$26,722,000) and HK\$17,530,000 (2011: HK\$44,366,000) were derived from services rendered to two (2011: 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:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Revenue		
Services income	<u>67,244</u>	<u>85,846</u>
Other income and gains		
Bank interest income	548	351
Investment income	487	465
Net foreign exchange gains	185	—
Others	30	302
Gain on disposal of plant, property and equipment	7	—
Gain on disposal of equity investments at fair value through profit or loss	—	20
Fair value gain on an investment property	<u>17</u>	<u>380</u>
	<u>1,274</u>	<u>1,518</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interest on bank overdrafts	68	—
Interest on finance lease	<u>1</u>	<u>14</u>
	<u>69</u>	<u>14</u>

6. (LOSS)/PROFIT BEFORE TAXATION

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

	2012	2011
	HK\$'000	HK\$'000
Cost of services provided*	32,033	20,343
Depreciation*	2,104	2,054
Minimum lease payments under operating leases in respect of:		
Land and buildings	2,655	4,854
Motor vehicles	28	—
Auditors' remuneration	500	900
Employee benefit expense (including Directors' remuneration)*#:		
Wages, salaries, allowances and benefits in kind	24,978	26,032
Equity-settled share option arrangements	843	1,880
Pension scheme contributions (defined contribution schemes)	4,026	4,038
Severance payments	902	791
	30,749	32,741
Foreign exchange differences, net	(185)	1
Write-off of items of property, plant and equipment	66	37
(Gain)/loss on disposal of items of property, plant and equipment	(7)	7
Impairment of trade receivables	—	6
Impairment loss recognised in respect of goodwill	188	—
Research and development costs [#]	4,342	3,251
Investment Income	(487)	(465)
Gain on disposal of equity investments at fair value through profit or loss	—	(20)
Fair value gain on an investment property	(17)	(380)

* The cost of services provided includes depreciation and employee benefit expense totalling HK\$4,345,000 for the year (2011: HK\$4,708,000), which is also included in the respective total amount separately disclosed above.

The research and development costs for the year include HK\$4,342,000 (2011: HK\$3,251,000) relating to employee benefit expense for research and development activities, which is also included in the employee benefit expense separately disclosed above.

At 31 March 2012, the Group had no material forfeited contributions available to reduce its contributions to the pension schemes in future years (2011: nil).

7. 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 year (2011: 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.

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current — Elsewhere		
Charge for the year	6	1,291
Over-provision in prior years	(748)	—
Deferred	<u>2,368</u>	<u>1,938</u>
Total tax charged for the year	<u><u>1,626</u></u>	<u><u>3,229</u></u>

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

The calculation of the basic (loss)/earnings per share amounts is based on the loss for the year attributable to equity holders of the Company of about HK\$25,475,000 (2011: profit of about HK\$1,295,000), and the weighted average numbers of ordinary shares of 756,355,000 (2011: 755,876,096) in issue during the year.

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 31 March 2012.

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 about 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 ended 31 March 2011, 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 share options with dilutive effect that entitled the grantees to subscribe for a total up to 8,250,000 ordinary shares during the year ended 31 March 2011.

9. TRADE RECEIVABLES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade receivables	17,664	69,299
Impairment allowances	<u>(488)</u>	<u>(465)</u>
	<u>17,176</u>	<u>68,834</u>

The Group's trade receivables, which generally have credit terms of one month to three months (2011: 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 of 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 39% (2011: 51%) 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, based on the month in which the services were rendered is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 3 months	15,073	35,259
4 to 6 months	1,728	9,924
7 to 12 months	229	19,587
Over 12 months	<u>146</u>	<u>4,064</u>
	<u>17,176</u>	<u>68,834</u>

10. TRADE PAYABLES

An aged analysis of the Group's trade payables, based on the month in which the services were rendered, is as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Within 3 months	—	306
4 to 6 months	—	149
7 to 12 months	268	356
Over 12 months	<u>3,139</u>	<u>2,962</u>
	<u>3,407</u>	<u>3,773</u>

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

11. SHARE CAPITAL

2012
HK\$'000

2011
HK\$'000

Shares

Authorised:

2,500,000,000 (2011: 2,500,000,000) ordinary shares of HK\$0.10 each 250,000 250,000

Issued and fully paid:

756,355,000 (2011: 756,355,000) ordinary shares of HK\$0.10 each 75,635 75,635

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

	<i>Note</i>	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2010		752,955,000	75,295	371,932	447,227
Share options exercised	(a)	3,400,000	340	297	637
Transfer of share option reserve on the exercised share options	(a)	<u>—</u>	<u>—</u>	<u>239</u>	<u>239</u>
At 31 March 2011, 1 April 2011 and 31 March 2012		<u>756,355,000</u>	<u>75,635</u>	<u>372,468</u>	<u>448,103</u>

Note:

- (a) During the year ended 31 March 2011, the subscription rights attaching to share options that entitle the grantees to subscribe for 300,000, 550,000, 850,000 and 1,700,000 ordinary shares 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 2012 (2011: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue, Cost of Sales and Gross Profit

During the year ended 31 March 2012, the Group's core business was the wireless value-added services ("WVAS") and related business. The stringent policies from mobile carriers in the People's Republic of China (the "PRC") in recent years has continuously impacted the financial performance of all market players in the WVAS industry. Recently, the rationalization of the pricing models of the mobile telecommunication operators came to the end and we are still in the process of negotiation on the possible renewal of the agreement in relation to the wireless music search services ("Services") with China Mobile Limited ("China Mobile"). Despite the Group continued to deliver the Services to China Mobile, for prudence's sake and in accordance with the Group's accounting policies, the Group did not record any revenue arisen from the provision of Services from early July 2011 to 31 March 2012. During the year, the Group has prepared itself for the technological changes by developing new products such as mobile games, mobile readers and other personal recreation services.

The consolidated turnover for the year ended 31 March 2012 was about HK\$67.2 million, representing a decrease of about HK\$18.6 million or 21.7% as compared with the same period last year.

As a result of the stringent policies of the mobile carriers, the Group's was unavoidably affected. In order to alleviate such impact, the Group has extended its co-operation with business partners and introduced new products, which has partially mitigated the negative impact brought about by the market trend and rolled out our close collaboration in music projects.

Gross profit amounted to about HK\$35.2 million for the year ended 31 March 2012, decreased by about HK\$30.3 million or 46.3% compared to the same period of last year. Due to the increase in cost of sales from about HK\$20.3 million last year to about HK\$32.0 million this year, and as a result of development of new business and products which have lower profit margins, the Group's gross profit margin dropped to about 52.4% as compared with 76.3% last year.

Other Income and Gains

During the year under review, other income and gains amounted to about HK\$1.3 million, which decreased by about HK\$0.2 million as compared with the other income and gains of about HK\$1.5 million last year. The decrease was due to decrease in the fair value gain on an investment property and the decrease in other income.

Operating Expenses

Operating expenses of the Group mainly comprised selling expenses, administrative expenses and other expenses. During the year ended 31 March 2012, the Group's operating expenses was about HK\$60.1 million in total, representing a decrease of about HK\$2.4 million compared with that in last year. The decrease was caused by the drop in selling expenses, which was partially offset by the increase in administrative expenses and other expenses.

Selling expenses for the year ended 31 March 2012 amounted to about HK\$12.6 million, decreased by about HK\$6.6 million compared to the corresponding period of last year. The decrease was mainly attributable to the tightening cost control and the fact that the new products are not yet fully launched, which resulted in the decrease in promotion, marketing and business development expenses and staff costs of the sales teams. Administrative expenses for the year ended 31 March 2012 amounted to about HK\$42.9 million, increased by about HK\$3.2 million. The increase was mainly due to increase in administrative staff costs and business development cost. Also, other expenses for the year ended 31 March 2012 amounted to about HK\$4.6 million, increased by about HK\$1.1 million. The increase was mainly due to the increase in development of new products and services during the year under review.

As a result of the combination effect of the above, the Group's net loss before tax for the year ended 31 March 2012 amounted to about HK\$23.8 million, compared to the profit before tax of about HK\$4.5 million for the corresponding period in last year.

(Loss)/Profit Attributable to Equity Holders

Due to a combination of the effect of the reasons stated above, loss attributable to equity holders of the Company amounted to about HK\$25.5 million for the year ended 31 March 2012, compared with a profit of about HK\$1.3 million for the year ended 31 March 2011.

Financial Position, Liquidity, Financial Resources and Gearing Ratio

As at 31 March 2012, the total equity of the Group amounted to about HK\$77.8 million (2011: HK\$99.1 million) and the Group's net current assets amounted to about HK\$67.9 million (2011: HK\$86.5 million). The current ratio (current assets to current liabilities) as at 31 March 2012 was 3.9 (2011: 4.5). The decrease in the total equity, net current assets and current ratio was mainly due to the loss incurred during the year under review.

During the year under review, the Group has financed its operation by revenue generated from its operation and other 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 centralized. The cash is generally deposited with banks and denominated mostly in Renminbi and Hong Kong dollars. As at 31 March 2012, the cash and cash equivalents amounted to about HK\$67.1 million (2011: HK\$33.9 million). The increase in cash and cash equivalents was due to the collection of trade receivables during the year.

The Group kept low level of borrowings with a gearing ratio (total borrowings over total equity) of about 0.05% as at 31 March 2011. As at 31 March 2012, all borrowings were repaid.

Capital Structure

The ordinary 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.

Significant Acquisition

On 16 February 2011, the Group entered into a sale 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 (Beijing Yi Ou You Technology Company Limited, for identification purpose only), a company established in PRC, at a total cash consideration of RMB300,000. The principal activities of this company are mainly related to the design and distribution of mobile games. The acquisition was completed during the year ended 31 March 2012.

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 2012, no related hedges were made by the Group (2011: nil).

Contingent Liabilities

As at 31 March 2012, the Group had no material contingent liabilities (2011: nil).

Employees and Remuneration Policy

As at 31 March 2012, the Group had a total of 113 employees (2011: 124). 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.

Business Review and Outlook

Leveraging on the accumulated music user base, the Group has developed new products during the year under review. In addition to the provision of existing wireless music search and other entertainment services, we have developed new applications for internet and wireless (Android and iOS) platforms:

1. a web-based social music platform, allowing users to simultaneously discover new music as well as to interact with other users;
2. wireless music applications developed for Android and iOS platforms allowing users to discover music and download songs through their smart phones; and
3. wireless messaging services which combine the best of instant voice and text messaging services with location based social photo sharing. It sparks new friendships by taking and capturing photos of events happening around the users or their favorite moments and sharing them with other users in the vicinity. The users can also see which of their friends are nearby their current location.

At the same time, the Group will continue to play a major role in supporting its wireless music search partner, China Mobile, which is expected to bring steady income to the Group with a sizeable network of valuable mobile clientele.

The Group sees the needs to diversify its business for new growth momentum. We are actively in search of opportunities in the area of e-commerce and other mobile internet services. Product innovations and experienced management team will play a crucial role to the Group's future success. As at the end of March 2012, the user base and the revenue of the Group's new business maintained a stable growth. Furthermore, the accumulated number of users of the Group's entertainment information was over 35 million and that of the wireless music website has exceeded 1.5 million as at the end of March 2012.

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 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 2012.

CORPORATE GOVERNANCE PRACTICES

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.

AUDIT COMMITTEE

The Company established its audit committee ("Audit Committee") on 7 March 2000 and has formulated and from time to time amended its written terms of reference in accordance with the provisions set out in the CG Code. The 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 remuneration policy and structure for 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 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.

NOMINATION COMMITTEE

In accordance with the CG Code, the Company established its 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 of the Company, namely Mr. Yip Heon Keung (Chairman of the Nomination Committee) and two independent non-executive Directors, Mr. Tam Chun Wan and Ms. Lai May Lun.

By Order of the Board
Yip Heon Keung
Chairman

Hong Kong, 19 June 2012

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.