PROSTEN TECHNOLOGY HOLDINGS LIMITED

長達科技控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8026)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

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.

The Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims 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 the 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; (1) the information contained in this announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *For identification purpose only*

HIGHLIGHTS

- Profit attributable to equity holders of the Company for the six months ended 30 September 2008 achieved HK$18,275,000, as compared to a loss of HK$15,136,000 for the corresponding period of 2007.
- The Group achieved revenue of HK$66,925,000 for the six months ended 30 September 2008, representing a 321% growth as compared to the corresponding period in the previous financial year.
- The Group attained gross profit of HK$57,591,000 for the six months ended 30 September 2008, representing an increase by HK$43,840,000 or 319% compared with the same period of last year.
- Excluding the impact of a fair value loss on convertible bonds which amounted to HK$2,356,000, profit attributable to equity holders of the Company for the six months ended 30 September 2008 would have been shown as HK$20,631,000.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2008.

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months and three months ended 30 September 2008 together with the unaudited comparative figures for the corresponding periods in 2007 as follows:

	Notes	**Six months ended 30 September**		**Three months ended 30 September**	
		2008	2007	**2008**	2007
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	2	**66,925**	15,881	**26,598**	9,168
Cost of sales		**(9,334)**	(2,130)	**(4,484)**	(1,255)
Gross profit		**57,591**	13,751	**22,114**	7,913
Other income and gains		**818**	1,154	**424**	430
Selling expenses		**(10,336)**	(2,690)	**(6,253)**	(1,628)
Administrative expenses		**(18,126)**	(10,150)	**(9,054)**	(5,538)
Other expenses		**(2,611)**	(1,188)	**(2,103)**	(609)
Fair value gain/(loss) on derivative component of convertible bonds		**(2,356)**	(15,595)	**2,949**	(16,016)
Finance costs		**–**	(597)	**–**	(447)
Profit/(loss) before tax	4	**24,980**	(15,315)	**8,077**	(15,895)
Tax	5	**(6,705)**	179	**(1,986)**	179
Profit/(loss) for the period attributable to equity holders of the Company		**18,275**	(15,136)	**6,091**	(15,716)
Earnings/(loss) per share attributable to equity holders of the Company	6				
Basic		**HK3.1 cents**	(HK2.6 cents)	**HK1.0 cents**	(HK2.6 cents)
Diluted		**HK3.0 cents**	N/A	**HK0.5 cents**	N/A

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 September 2008 HK$'000 (Unaudited)	31 March 2008 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	7	**5,404**	4,140
Investment property		**2,309**	2,408
Deposits		**92**	222
Available-for-sale investments		**795**	786
Deferred tax assets		**9,750**	10,600
Total non-current assets		**18,350**	18,156
CURRENT ASSETS			
Trade receivables	8	**20,941**	42,361
Prepayments, deposits and other receivables		**10,805**	6,249
Equity investments at fair value through profit or loss		**2,581**	3,162
Due from Directors		**1,117**	142
Cash and cash equivalents		**77,377**	33,202
Total current assets		**112,821**	85,116
CURRENT LIABILITIES			
Trade payables	9	**2,895**	2,840
Other payables, deposits received and accruals		**8,496**	9,673
Tax payable		**12,184**	8,805
Convertible bonds	10	**36,000**	36,000
Embedded financial derivative	10	**10,975**	8,619
Total current liabilities		**70,550**	65,937
NET CURRENT ASSETS		**42,271**	19,179
Net assets		**60,621**	37,335
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	11	**59,767**	59,727
Reserves		**854**	(22,392)
Total equity		**60,621**	37,335

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Issued capital	**Share premium account**	**Statutory reserve fund**	**Foreign currency translation reserve**	**Share option reserve**	**Accum-ulated losses**	**Sub-total**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008 (Audited)	59,727	348,808	53	5,436	2,533	(379,222)	(22,392)	37,335
Exchange differences arising on consolidation of overseas subsidiaries	–	–	–	2,129	–	–	2,129	2,129
Total income and expense recognised directly in equity	–	–	–	2,129	–	–	2,129	2,129
Profit for the period	–	–	–	–	–	18,275	18,275	18,275
Total income and expense for the period	–	–	–	2,129	–	18,275	20,404	20,404
Issue of shares	40	126	–	–	–	–	126	166
Equity-settled share option arrangements	–	–	–	–	2,716	–	2,716	2,716
At 30 September 2008 (Unaudited)	59,767	348,934	53	7,565	5,249	(360,947)	854	60,621
At 1 April 2007 (Audited)	59,237	348,159	53	1,926	1,204	(405,936)	(54,594)	4,643
Exchange differences arising on consolidation of overseas subsidiaries	–	–	–	330	–	–	330	330
Total income and expense recognised directly in equity	–	–	–	330	–	–	330	330
Loss for the period	–	–	–	–	–	(15,136)	(15,136)	(15,136)
Total income and expense for the period	–	–	–	330	–	(15,136)	(14,806)	(14,806)
Issue of shares	440	628	–	–	–	–	628	1,068
Equity-settled share option arrangements	–	–	–	–	926	–	926	926
Transfer of share option reserve upon the lapse of share options	–	–	–	–	(150)	150	–	–
At 30 September 2007 (Unaudited)	59,677	348,787	53	2,256	1,980	(420,922)	(67,846)	(8,169)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash inflow/(outflow) from operating activities	**45,746**	(10,311)
Net cash outflow from investing activities	**(2,343)**	(1,453)
Net cash inflow from financing activities	**166**	29,585
Net increase in cash and cash equivalents	**43,569**	17,821
Cash and cash equivalents at beginning of period	**33,202**	3,040
Effect of foreign exchange rate changes, net	**606**	39
Cash and cash equivalents at end of period	**77,377**	20,900
Analysis of cash and cash equivalents		
Cash and bank balances	**40,237**	4,689
Non-pledged time deposits with original maturity of less than three months when acquired	**37,140**	16,211
	77,377	20,900

Notes:

1. Basis of Preparation

The Group's unaudited condensed interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and other relevant HKASs and interpretations and the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, and the applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an investment property, derivative financial instruments and equity investments, which have been measured at fair value. The unaudited consolidated results are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The principal accounting policies applied in the preparation of the unaudited condensed interim financial statements are consistent with those adopted in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2008.

In the current period, the Group has adopted a number of new and revised HKFRSs, which are effective for accounting periods beginning on or after 1 January 2008. The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current and/or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the new and revised HKFRSs that have been issued but are not yet effective, in the unaudited condensed interim financial statements. The directors of the Company anticipate that the application of these new and revised HKFRSs should not have any significant impact on the Group's results of operations and financial position.

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

2. Revenue

Revenue, which is also the Group's turnover, represents for the value of services rendered after business tax during the period.

3. Segment Information

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as the Group's customers and operations are located in Mainland China.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the solution integration services segment provides solution integration services; and

(b) the wireless mobile value added services segment provides wireless mobile value added services.

3. **Segment Information (continued)**

Primary reporting format – business segments

	Solution integration services *HK$'000*	**Wireless mobile value added services** *HK$'000*	**Consolidated** *HK$'000*
Six months ended 30 September 2008			
Segment revenue from external customers	18	66,907	66,925
Segment results	11	41,699	41,710
Other income and gains			818
Unallocated expenses			(15,192)
Profit from operations			27,336
Fair value loss on derivative component of convertible bonds			(2,356)
Profit before tax			24,980
Tax			(6,705)
Profit for the period attributable to equity holders of the Company			18,275

	Solution integration services *HK$'000*	**Wireless mobile value added services** *HK$'000*	**Consolidated** *HK$'000*
Six months ended 30 September 2007			
Segment revenue from external customers	466	15,415	15,881
Segment results	70	8,398	8,468
Other income and gains			1,154
Unallocated expenses			(8,745)
Profit from operations			877
Fair value loss on derivative component of convertible bonds			(15,595)
Finance costs			(597)
Loss before tax			(15,315)
Tax			179
Loss for the period attributable to equity holders of the Company			(15,136)

4. Profit/(Loss) Before Tax

The Group's profit/(loss) for the period is arrived at after charging:

	Six months ended 30 September		Three months ended 30 September	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Depreciation	**1,135**	994	**588**	474
Minimum lease payments under operating leases:				
Land and buildings	**2,862**	2,807	**1,454**	1,334
Motor vehicles	**225**	110	**131**	55
Employee benefits expenses	**18,135**	8,571	**9,671**	4,387

5. Tax

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong for the six months and three months ended 30 September 2008 (2007: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 September		Three months ended 30 September	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current – Elsewhere				
Charge for the period	**4,425**	–	**1,096**	–
Deferred	**2,280**	(179)	**890**	(179)
Total tax expenses/(credit) for the period	**6,705**	(179)	**1,986**	(179)

6. Earnings/(Loss) per Share Attributable to Equity Holders of the Company

Basic earnings/(loss) per share

The calculation of basic earnings per share amounts for the six months and three months ended 30 September 2008 are based on the profit for the period attributable to equity holders of the Company of HK$18,275,000 (six months ended 30 September 2007: a loss of HK$15,136,000) and HK$6,091,000 (three months ended 30 September 2007: a loss of HK$15,716,000) respectively and the weighted average number of ordinary shares of 597,423,634 for the six months ended 30 September 2008 (six months ended 30 September 2007: 593,718,169) and 597,570,652 for the three months ended 30 September 2008 (three months ended 30 September 2007: 595,046,739) in issue during the periods.

6. **Earnings/(Loss) per Share Attributable to Equity Holders of the Company (continued)**

Diluted earnings per share

The calculation of diluted earnings per share amount for the six months ended 30 September 2008 is based on the profit for the period attributable to ordinary equity holders of the Company of HK$18,275,000. The weighted average number of ordinary shares of 597,423,634, used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration of 20,025,747 on the deemed exercise of all share options during the period.

The calculation of diluted earnings per share amount for the six months ended 30 September 2008 has not included the potential effect of the deemed conversion of the convertible bonds into ordinary shares during the period as it has an anti-dilutive effect on the basic earnings per share amount for the period.

The calculation of diluted earnings per share amount for the three months ended 30 September 2008 is based on the profit for the period attributable to ordinary equity holders of the Company of HK$6,091,000, adjusted to reflect the fair value gain on derivative component of convertible bonds of HK$2,949,000. The weighted average number of ordinary shares of 597,570,652, used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration of 52,933,953 on the deemed exercise or conversion of all diluative potential ordinary shares into ordinary shares during the period.

The diluted loss per share for the six months and three months ended 30 September 2007 were not presented, as the share options and the convertible bonds outstanding had an anti-dilutive effect on the basis loss per share for that periods.

7. **Property, Plant and Equipment**

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

	30 September 2008 *HK$'000* **(Unaudited)**	31 March 2008 *HK$'000* (Audited)
Net book value, beginning of period/year	**4,140**	4,732
Additions	**2,343**	1,066
Disposals	**–**	(2)
Depreciation	**(1,135)**	(1,871)
Exchange realignment	**56**	215
Net book value, end of period/year	**5,404**	4,140

8. **Trade Receivables**

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

	30 September 2008 *HK$'000* **(Unaudited)**	31 March 2008 *HK$'000* (Audited)
0 – 90 days	**20,840**	42,246
91 – 180 days	**101**	115
	20,941	42,361

9. Trade Payables

An aged analysis of the trade payables as at the balance sheet date, based on payment due date, is as follows:

	30 September 2008 *HK$'000* **(Unaudited)**	31 March 2008 *HK$'000* (Audited)
Over 365 days	**2,895**	2,840

10. Convertible Bonds and Embedded Financial Derivative

The movements in the liability and derivative components of the Convertible Bonds during the period are as follows:

	Liability component *HK$'000*	**Derivative component** *HK$'000*	**Total** *HK$'000*
Convertible Bonds issued on 6 June 2007	12,436	16,364	28,800
Imputed interest	23,564	–	23,564
Fair value gain recognised during the year	–	(7,745)	(7,745)
As at 31 March 2008 and 1 April 2008	36,000	8,619	44,619
Fair value loss recognised during the period	–	2,356	2,356
As at 30 September 2008	36,000	10,975	46,975

11. Share Capital

	30 September 2008		31 March 2008	
	Number of Shares	***HK$'000*** **(Unaudited)**	Number of Shares	*HK$'000* (Audited)
Authorised:				
Ordinary shares of HK$0.10 (31 March 2008: HK$0.10) each	**2,500,000,000**	**250,000**	2,500,000,000	250,000
Issued and fully paid:				
Ordinary shares of HK$0.10 (31 March 2008: HK$0.10) each				
At beginning of period/year	**597,275,000**	**59,727**	592,375,000	59,237
Share options exercised	**400,000**	**40**	4,900,000	490
At end of period/year	**597,675,000**	**59,767**	597,275,000	59,727

12. Operating Lease Arrangements

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

At 30 September 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2008	31 March 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Land and buildings:		
Within one year	**4,413**	2,991
In the second to fifth years, inclusive	**4,134**	294
	8,547	3,285
Motor vehicles:		
Within one year	**12**	20
	8,559	3,305

13. Commitments

The Group did not have any significant commitments as at 30 September 2008 (31 March 2008: Nil).

14. Contingent Liabilities

The Group had no material contingent liabilities as at 30 September 2008 (31 March 2008: Nil).

15. Related Party Transactions

During the period, the Group had the following transactions with related parties:

	Six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Rental expenses paid	**228**	128

The rentals were paid in respect of the Group's leased motor vehicles to a related company, of which a shareholder of the related company is the sister-in-law of Mr. Yip Heon Ping, a former Director of the Company. The Directors of the Company have confirmed that the monthly rentals were calculated with reference to the then prevailing open market rental value.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's revenue for the six months ended 30 September 2008 was mainly contributed by mobile search business, which amounted to HK$66,925,000, significantly increased by HK$51,044,000 or 321% as compared to the corresponding period in 2007. For the three months ended 30 September 2008, revenue of the Group amounted to HK$26,598,000, increased by HK$17,430,000 or 190% compared with the same period of last year.

When comparing with the first quarter of this financial year, revenue for the second quarter dropped around 34%, it was mainly due to the impact from temporary suspension of all sales and marketing activities unrelated to the Olympics by China Mobile during the Beijing 2008 Olympic Games period (August-September 2008). After the temporary measures were lifted since the last 10 days of September 2008, the Group's business has been back to normal and the management believes that the Group will be able to revive the revenue growth momentum in the coming quarters.

During the first half of the current financial year, gross profit recorded a 319% increase to HK$57,591,000 compared to the same period in the last year. The gross profit for the second quarter of this financial year was down by 38% compared to last quarter, caused by the declined revenue and fixed costs under costs of sales in this second quarter. The Group continuously maintained a high gross profit margin of 83%.

During the six-month period under review, the overall operating expenses including selling expenses, administrative expenses and other expenses amounted to HK$31,073,000, increased by HK$17,045,000 or 122% compared to the same period in the last year. Due to expansion in the sales, business development and marketing teams, selling expenses for the three months ended 30 September 2008 were increased by HK$2,170,000 compared to the first quarter of this year. Administrative expenses maintained at a stable level compared with the last quarter. Besides, other expenses were increased by HK$1,595,000 as compared with the first quarter of this financial year, mainly due to increased in research and development costs. Lastly, there was no imputed interest on convertible bonds for the six-month period under review because the premium over principal amount of the convertible bonds was fully accounted for in the last financial year.

Profit attributable to equity holders of the Company for the six months ended 30 September 2008 achieved HK$18,275,000, as compared to a loss of HK$15,136,000 for the corresponding period of last year. While excluding the impact of fair value loss on derivative component of convertible bonds which amounted to HK$2,356,000, profit attributable to equity holders of the Company for the half year period under review would have been shown as HK$20,631,000.

Financial Position, Liquidity, Financial Resources and Gearing Ratio

The total equity of the Group as at 30 September 2008 was HK$60,621,0000 (31 March 2008: HK$37,335,000). The Group has net current assets of HK$42,271,000 (31 March 2008: HK$19,179,000). The Group's current ratio, as a ratio of current assets to current liabilities, was approximately 1.6 as at 30 September 2008 (31 March 2008: 1.3). The Group had cash and cash equivalents of HK$77,377,000 as at 30 September 2008 (31 March 2008: 33,202,000). For the six-month period under review, the Group financed its operations mainly with its revenue from operations. The Group adheres to a prudent cash and financial management policy. In order to achieve better costs control and minimize costs of funds, the Group's treasure activities are centralized and the cash is generally placed on deposits, mostly denominated in Renminbi and Hong Kong dollars. As at 30 September 2008, the gearing ratio of the Group, as a ratio of total borrowings to total equity, was 77% (31 March 2008: 120%).

Capital Structure

The shares of the Company were listed on GEM on 28 March 2000. The change of the Company's capital structure during the period under review was set out as follows.

Issue of Convertible Bonds under General Mandate

Pursuant to a convertible bonds subscription agreement dated 30 April 2007 ("Subscription Agreement"), the Company issued certain five-year HK$28,800,000 zero-coupon convertible bonds ("Convertible Bonds") (which may be converted into shares to be allotted and issued under general mandate) to a subscriber which is an existing shareholder of the Company. The Convertible Bonds may, upon exercise of the conversion rights attaching to them, into new shares at the conversion price initially of HK$0.96 per share (subject to adjustment) at any time during the five years commencing from the date of first issue of the Convertible Bonds (the "Convertible Bonds Subscription").

If the holder(s) of the Convertible Bonds exercise the conversion rights attached to the Convertible Bonds in full at the initial conversion price of HK$0.96 per share, a total of 30,000,000 shares will be issued, representing about 5.06% of the issued share capital of the Company before exercise the conversion rights and representing approximately 4.82% of the issued share capital of the Company as enlarged by such issue. If the holder(s) of the Convertible Bonds exercise the conversion rights attached to the Convertible Bonds in full at the adjusted conversion price of HK$0.50 per share, a total of 57,600,000 shares will be issued, representing about 9.72% of the issued share capital of the Company before exercise the conversion rights and representing approximately 8.86% of the issued share capital of the Company as enlarged by such issue.

The net proceeds from the issue of the Convertible Bonds was approximately HK$28,500,000. The Convertible Bonds Subscription was completed on 6 June 2007. There was no movement in the amount of these Convertible Bonds during the period under review.

Under the Subscription Agreement, the Company is obliged to recover certain trade receivables. The date of performance of the said obligation was agreed by the Company, Tallmany Enterprises Ltd. and China Broadband Capital Partners, L.P. to be certain date which falls within the financial year ended 31 March 2008. Such obligations were not completely fulfilled before the agreed date, resulting in the occurrence of an event of default under the terms of the Convertible Bonds. The holder(s) of the Convertible Bonds has the legal right to request for early redemption of the Convertible Bonds in accordance with the term of the Subscription Agreement. Up to the date of this results announcement, the Company however has not received any notice from the holder(s) of the Convertible Bonds requesting for early redemption of the Convertible Bonds. The Convertible Bonds have been presented as current liabilities and the 25% premium over the face value of the Convertible Bonds was accounted for in the Unaudited Condensed Consolidated Balance Sheet as at 30 September 2008.

Significant Investments and Disposals

There were no material acquisitions and disposals of subsidiaries by the Company during the period under review.

Foreign Currency Exchange Exposure and Treasury Policies

As most of the Group's trading transactions, monetary assets and liabilities were denominated in Renminbi and Hong Kong dollars, the impact of the foreign exchange exposure of the Group was considered to be minimal and there was no significant adverse effect on the normal operations of the Group. As at 30 September 2008, no related hedges were made by the Group.

Contingent Liabilities

As at 30 September 2008, the Group has no material contingent liabilities.

Employees and Remuneration Policy

As at 30 September 2008, the Group had a total of 182 employees. The Group's remuneration policy is basically determined by the performance of individual employees and the market condition. In addition to salaries, employee benefits included medical scheme, pension contributions and share option schemes.

Business Review and Outlook

During the six months ended 30 September 2008, the Group recorded revenue of HK$66,925,000, representing a significant increase of 321% as compared to the corresponding period of last year. Profit for the period amounted to HK$18,275,000 as compared to a loss of HK$15,136,000 for the corresponding period in the previous financial year. These remarkable performances indicated significant improvements in the operation of the Group over last year.

During the second quarter, under the impact of the temporary suspension of all sales and marketing activities unrelated to the Olympics by China Mobile during the Beijing 2008 Olympic Games period, the Group's revenue achieved HK$26,598,000, representing a 34% decrease as compared to the first quarter. Profit for the period was HK$6,091,000, representing a 50% decrease as compared to the first quarter. After the closing of the Olympics, the Group has promptly resumed normal sales and marketing activities in all provinces since the last 10 days of September and business has improved notably. It is expected that the results for the third quarter of the Group will resume to the overall level of the first quarter.

Reviewing the performance of the Group in the second quarter, the major achievements are as follows:

1. The Group worked in line with China Mobile in the completion of the telecommunication security tasks during the Beijing 2008 Olympic Games. During the period, the wireless music search platform operated by the Group successfully facilitated over ten million downloads of the Olympic theme song "You and Me". The hardware system of the Group attained a "7x24" continuous operation without any technical failure. Meanwhile, the customer service system had also provided "7x24" successive services to ensure clients' satisfaction. Having undergone challenges under such stringent business environment, the technical support, operation and service capacity of the Group were further enhanced.

2. The Group continued to invest in research and development of general search products and has launched a trial version at the end of September 2008 which provided mobile users with lifestyle search services.

3. The Group completed a research project on meticulous marketing approach based on music search users' behaviour analysis with an international-renowned consultancy company. The preliminary application results indicated that the impact of sales and marketing activities was notably enhanced.

4. The Group continued to carry out budget and cost control, and had completed a round of restructuring plan for the purpose of optimising internal business structure at the end of September 2008 so as to further enhance its competitiveness.

Looking forward, despite the current global financial crisis, the Group believes that the impact on the PRC mobile user market will not be material. With the vast PRC mobile search market and the unique business model of the Group, it is believe that a relatively stable results will be achieved while cash flow will also be able to maintain at a satisfactory level. Meanwhile, under the major premise of adjustment in the PRC telecommunication industry, the Group will closely focus on every opportunity from consolidation within the industry, with an intention to continuously enhance the strength and size of the company through strategies including mergers and acquisitions.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2008, the interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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 required, pursuant to the code of conduct regarding securities transactions by Directors adopted by the Company, to be notified to the Company and the Exchange, were as follows:

Long positions in the ordinary shares of the Company

Name of Director	Notes	**Capacity and nature of interest**	**Number of ordinary shares**	**Percentage of the Company's issued share capital** Note (3)
Mr. Yip Heon Wai	(1)	Interest of a controlled corporation	100,000,000	16.73%
Mr. Yip Heon Keung	(2)	Interest of controlled corporations	404,280,619	67.64%

Notes:

(1) These shares are held by Uniright Group Limited ("Uniright") and its entire issued share capital is held by Mr. Yip Heon Wai and Mr. Yip Heon Keung in equal shares. By virtue of the SFO, Mr. Yip Heon Wai is deemed to be interested in 100,000,000 shares of the Company held by Uniright.

(2) Among these shares, an aggregate of 304,280,619 shares are held through Greenford Company (PTC) Limited, Century Technology Holding (PTC) Limited and Bakersfield Global (PTC) Corporation as trustees of The Greenford Unit Trust, The Century Unit Trust and The Bakersfield Unit Trust, respectively. All the units of which are held by Ace Central Group (PTC) Limited ("Ace Central") as the trustee of The New Millennium Trust, a discretionary family trust and Mr. Yip Heon Keung is the sole director and sole shareholder of Ace Central. 100,000,000 shares are held by Uniright and its entire issued capital is held by Mr. Yip Heon Wai and Mr. Yip Heon Keung in equal shares. By virtue of the SFO, Mr. Yip Heon Keung is deemed to be interested in 304,280,619 shares of the Company held by Ace Central and 100,000,000 shares of the Company held by Uniright, respectively.

(3) Based on 597,675,000 shares in issue as at 30 September 2008.

Long positions in the underlying shares of the Company

Share Options

The interests of the Directors in the share options of the Company are separately disclosed in the section "Share option schemes" below.

In addition to the above, certain Directors had non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the requirement for a minimum number of shareholders.

Save as disclosed above, as at 30 September 2008, none of the Directors or chief executive of the Company had, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be 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 required to be notified to the Company and the Exchange pursuant to the Code of Conduct.

SHARE OPTION SCHEMES

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

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

(a) Old Scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the Company's Directors and employees of the Group. Under the Old Scheme, the Board was authorised, at its absolute discretion, to grant options to the Company's Directors and employees of the Group to subscribe for ordinary shares of the Company. The Old Scheme became effective for a period of 10 years commencing on the listing of the Company's shares on GEM of the Exchange on 28 March 2000.

(b) New Scheme

The New Scheme became effective for a period of 10 years commencing on 23 April 2002. Eligible participants of the New Scheme include all Directors and employees of the Group, suppliers, customers, consultants who provided services to the Group, shareholders of the subsidiaries of the Group and joint venture partners. Under the New Scheme, the Directors may, at their sole discretion, grant to any eligible participants options to subscribe for ordinary shares of the Company at the highest of (i) the closing price of shares of the Company on GEM as stated in the Exchange's daily quotation sheet on the date of the offer of grant; or (ii) the average closing price of the shares of the Company on GEM as stated in the Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the share. The offer of a grant of options may be accepted within 21 days from the date of the offer. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The exercise period of the options granted is determinable by the Directors, and commences after certain vesting period and ends in any event not later than 10 years from the respective date when the share options are granted, subject to the provisions for early termination thereof.

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

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the New Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the date of the AGM.

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

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

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

	Number of share options							
Name or category of participant	At 1 April 2008	Transferred during the period	Exercised during the period	Lapsed during the period	At 30 September 2008	Date of share options re-granted*	Exercise period of share options re-granted	Exercise price of share options re-granted** *HK$ per share*
Directors								
Mr. Yip Heon Wai#	5,300,000	–	–	–	5,300,000	22 August 2001	22 August 2001 to 21 August 2011	0.40
Mr. Yip Heon Keung	5,300,000	–	–	–	5,300,000	22 August 2001	22 August 2001 to 21 August 2011	0.40
	10,600,000	–	–	–	10,600,000			
Other employees of the Group								
In aggregate	14,765,000	–	–	–	14,765,000	22 August 2001	22 August 2001 to 21 August 2011	0.40
	25,365,000	–	–	–	25,365,000			

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

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

Name or category of participant	Number of share options At 1 April 2008	Granted during the period	Exercised during the period	Transferred during the period	Lapsed during the period	At 30 September 2008	Date of share options granted*	Exercise period of share options granted	Exercise price of share options granted** HK$ per share
Director									
Mr. Guan Ming Jie##	–	–	–	5,000,000	–	5,000,000	3 April 2008	3 April 2008 to 2 April 2018	0.410
Other employees									
In aggregate	800,000	–	–	–	–	800,000	22 May 2002	22 May 2002 to 21 May 2012	0.260
In aggregate	1,650,000	–	–	–	–	1,650,000	26 March 2004	26 March 2004 to 25 March 2014	0.100
In aggregate	7,580,000	–	–	–	–	7,580,000	10 May 2006	10 May 2006 to 9 May 2016	0.170
In aggregate	1,500,000	–	–	–	–	1,500,000	23 November 2007	23 November 2007 to 22 November 2017	0.878
In aggregate	2,500,000	–	–	–	–	2,500,000	2 January 2008	2 January 2008 to 1 January 2018	0.600
In aggregate	–	9,000,000	–	(5,000,000)	–	4,000,000	3 April 2008	3 April 2008 to 2 April 2018	0.410
Others									
In aggregate	200,000	–	–	–	–	200,000	26 March 2004	26 March 2004 to 25 March 2014	0.100
In aggregate	2,000,000	–	–	–	–	2,000,000	24 June 2005	24 June 2005 to 23 June 2015	0.100
In aggregate	1,000,000	–	–	–	–	1,000,000	29 June 2006	29 June 2006 to 28 June 2016	0.380
In aggregate	5,000,000	–	–	–	–	5,000,000	6 July 2007	1 October 2008 to 5 July 2017	0.396
In aggregate	–	5,400,000	(200,000)	–	–	5,200,000	3 April 2008	3 April 2008 to 2 April 2018	0.410
In aggregate	–	400,000	(200,000)	–	–	200,000	3 June 2008	3 June 2008 to 2 June 2018	0.417
	22,230,000	14,800,000	(400,000)	–	–	36,630,000			

In addition to the options to subscribe for up to 5,300,000 shares personally held by Mr. Yip Heon Wai, he is also deemed to be interested in the share options held by his spouse (in her capacity as an employee of the Company) to subscribe for 4,300,000 shares of the Company at an exercise price of HK$0.40 per share within the meaning of Part XV of the SFO, and whose exercise period is from 22 August 2001 to 21 August 2011.

Mr. Guan Ming Jie was appointed as a Director of the Company on 16 September 2008. Pursuant to the New Scheme, he is also entitled to the share options granted to him on 3 April 2008 to subscribe for 5,000,000 shares of the Company at an exercise price of HK$0.41 per share in his capacity as an employee of the Group.

* The time of acceptance of the share options was within 21 days from the options offer date. The share options granted are subject to certain vesting period and vary for each category of participant as specified under the respective share option schemes.

** The exercise price of the share options was subject to some adjustments in the case of rights or bonus issues, or other similar changes in the Company's share capital.

As at 30 September 2008, the Company had outstanding options to subscribe for up to 25,365,000 shares and 36,630,000 shares under the Old Scheme and the New Scheme, respectively.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2008, 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:

Interests or short 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** Note (11)	**Percentage of the Company's issued share capital** Note (12)
Greenford Company (PTC) Limited	(1)	Directly beneficially owned	122,597,702 (L)	20.51%
Century Technology Holding (PTC) Limited	(2)	Directly beneficially owned	122,597,701 (L)	20.51%
Bakersfield Global (PTC) Corporation	(3)	Directly beneficially owned	59,085,216 (L)	9.89%
Ace Central Group (PTC) Limited (as trustee of The New Millennium Trust)	(4)	Trustee of a discretionary family trust & through controlled corporations	304,280,619 (L)	50.91%
Mr. Yip Heon Ping	(1), (4) & (5)	Object of a discretionary family trust & through a controlled corporation	310,580,619 (L)	51.96%
Mr. Yip Seng Mun	(2), (3), (4) & (6)	Founder of a discretionary family trust, beneficially owned & through controlled corporations	310,280,619 (L)	51.91%
Knicks Capital Inc.	(7)	Directly beneficially owned	50,795,000 (L)	8.50%
Mr. Zhang Xingsheng	(7)	Interest of a controlled corporation	50,795,000 (L)	8.50%
Uniright Group Limited	(8) & (10)	Directly beneficially owned	100,000,000 (L) 57,142,857 (S)	16.73% 9.56%
Tallmany Enterprises Limited	(9) & (10)	Directly beneficially owned	244,742,857 (L)	40.95%

Notes:

1. 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 former Director of the Company.

2. 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 of the Company.

3. 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, a former Director of the Company.

4. An aggregate of 304,280,619 shares are held through Greenford Company (PTC) Limited, Century Technology (PTC) Holding Limited and Bakersfield Global (PTC) Corporation as trustees of The Greenford Unit Trust, The Century Unit Trust and The Bakersfield Unit Trust, respectively. All the units of which are held by Ace Central Group (PTC) Limited as the trustee of The New Millennium Trust, a discretionary family trust established with Mr. Yip Seng Mun as the founder and Mr. Yip Heon Ping as one of the discretionary objects for the time being. Both of them are the former Directors of the Company.

   Mr. Yip Heon Keung, a Director of the Company, is the sole director and sole shareholder of Ace Central Group (PTC) Limited.

5. By virtue of the SFO, Mr. Yip Heon Ping is deemed to be interested in 304,280,619 shares of the Company as one of the discretionary objects of The New Millennium Trust. In addition, he is also entitled to his share options to subscribe for 6,300,000 shares of the Company in his capacity as an employee of the Group.

6. By virtue of the SFO, Mr. Yip Seng Mun is deemed to be interested in 304,280,619 shares of the Company as the founder of The New Millennium Trust and personally interested in 2,000,000 shares of the Company. In addition, he is also entitled to his share options to subscribe for 4,000,000 shares of the Company in his capacity as an employee of the Group.

7. Knicks Capital Inc. is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Mr. Zhang Xingsheng.

8. Uniright Group Limited ("Uniright") is a company incorporated in the British Virgin Islands and its entire issued share capital is held by Mr. Yip Heon Wai and Mr. Yip Heon Keung in equal shares, both are the Directors of the Company.

9. Tallmany Enterprises Limited ("Tallmany") is a company incorporated in the British Virgin Islands and currently holds 30,000,000 shares of the Company. 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 of the Company, is the sole director of Tallmany.

10. Tallmany is also the holder of the convertible bonds ("Convertible Bonds") issued by the Company on 6 June 2007. If the convertible rights attached to the Convertible Bonds are exercised in full at the initial conversion price of HK$0.96 per share, Tallmany will become interested in a total of 30,000,000 shares of the Company. If the convertible rights attached to the Convertible Bonds are exercised in full at the adjusted conversion price of HK$0.50 per share, Tallmany will become interested in a total of 57,600,000 shares of the Company.

    Simultaneously, Tallmany is also the holder of the zero-coupon exchangeable bonds in the principal amount of HK$30,000,000 due 2012 ("Exchangeable Bonds") issued by Uniright on 6 June 2007. If the exchange rights attached to the Exchangeable Bonds are exercised in full at the initial exchange price of HK$1.00 per share, a total of 30,000,000 shares of the Company will be transferred by Uniright to Tallmany. If the exchange rights attached to the Exchangeable Bonds are exercised in full at the adjusted exchange price of HK$0.525 per share, a total of 57,142,857 shares of the Company will be transferred by Uniright to Tallmany.

It was agreed between the parties to the Exchangeable Bonds subscription agreement ("EB Subscription Agreement") that at completion, Uniright, as a chargor, shall deliver to Tallmany, as a chargee, a duly executed share charge in respect of the charging of 100,000,000 ordinary shares of the Company ("Shares") by Uniright in favor of Tallmany ("Share Charge"). On 6 June 2007, being the completion date of the EB Subscription Agreement, Uniright executed and delivered the Share Charge to Tallmany. Subject to the terms and conditions set out therein, Uniright pledged 100,000,000 Shares to Tallmany as the collateral created by the Share Charge.

11. The letter "L" denotes long position in the ordinary shares of the Company. The letter "S" denotes short position in the underlying shares of the Company.

12. Based on 597,675,000 shares in issue as at 30 September 2008.

Save as disclosed above, as at 30 September 2008, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

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

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2008, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 15 of the GEM Listing Rules ("Code on CG Practices") throughout the period 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 six months ended 30 September 2008.

AUDIT COMMITTEE

The Company established an 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 Code on CG Practices. The terms of reference of the Audit Committee are available on the Company's website.

As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors of the Company, namely Mr. James T. Siano (Chairman of the Audit Committee), Ms. Tse Yuet Ling, Justine and Ms. Lai May Lun.

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.

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

REMUNERATION COMMITTEE

In accordance with the Code on CG Practices, the Company established its remuneration committee ("Remuneration Committee") on 17 June 2005 with written terms of reference. The terms of reference of the Remuneration Committee are available on the Company's website.

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.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

By Order of the Board
Yip Heon Wai
Chairman

Hong Kong, 10 November 2008

As at the date of this announcement, the Board comprises Mr. Yip Heon Wai, Mr. Yip Heon Keung and Mr. Guan Ming Jie (all of them are executive Directors); Dr. Xu Zhiming and Mr. Zhang Ying (both of them are non-executive Directors); Mr. James T. Siano, 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.