



Prosten Technology Holdings Limited (長達科技控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

First Quarterly Result 第一季度業績

For the three months ended 30th June, 2000

截至二零零零年六月三十日止三個月

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

HIGHLIGHTS

- Turnover increased by 9%.
- Net profit for the three months ended 30 June 2000 amounted to approximately HK\$113,000.
- The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2000.

BUSINESS REVIEW AND OUTLOOK

For the three months ended 30 June 2000, Prosten Technology Holdings Limited and its subsidiaries (the “Group”) achieved a turnover of HK\$42.6 million, compared with HK\$39 million for the same period in the previous year. The sales realized was below expectation as a result of slow progress of some of the projects

As most sales realized during the period was more related to hardware, gross margins were below our average in the past. In addition, the Group’s administrative cost was driven up by the rapid expansion of our sales and technical teams in the period. The number of technical and sales staff increased by 85% to 115, and the total number of staff of the Group increased from 100 to 165. The Group was also expanding its sales network in the PRC by setting up representative offices in Kunming, Wuhan, Nanjing and Shenzhen. The whole exercise is to prepare for capturing more businesses and aims to achieve a more diversified yet less volatile income base in the future. Owing to these factors, the Group reported a profit of HK\$113,000 during the period under review. However, the management is confident that the Group’s performance for the remainder of the financial year ending 31 March 2001 should improve as both gross margins and sales are expected to pick up.

During the period under review, the Group established a data center in Hong Kong and started to launch its ASP services to corporate customers in the territory. Total investment in this project is approximately HK\$10 million. It has already provided hosting services for a number of corporations in Hong Kong, although its marketing effort has so far been minimal. At present, the Group is recruiting more sales and marketing people and will implement a full-scale programme to market this service to the business community in Hong Kong.

In a bid to strengthen Group’s research capability and market position in the PRC Internet market, the Group has established strategic alliance and set up a e-commerce application development center with the Computer Science & Technology Department of Peking University. The research center, Peking University Dept.CS-Prosten E-biz Co-laboratory, is a 50-50 joint venture between Peking University and the Group. Under the agreement, the Group will provide

all necessary funding and hardware whereas Peking University will offer the venue and human resources. The co-laboratory, mainly provides R&D support to the Group, is not expected to be a profit center. The Group is required to invest not less than US\$300,000 into the co-laboratory with funding from its working capital. The cooperative joint venture will be established for a period of three years with an option to extend further at the end of the three-year period. The co-laboratory will, based on the latest development of e-commerce in the world, create new ideas and develop new applications and solutions for commercial use in the PRC market. As Peking University has substantial expertise and top-quality professional researchers in computer science and electronic micro-system, we believe that the co-laboratory will help strengthen the Group's R&D capability in the future, hence reinforcing its competitiveness in the PRC market.

As at 30 June 2000, the Group had a cash and bank balance of approximately HK\$365 million.

RESULTS

The board of directors of Prosten Technology Holdings Limited (the "Board") announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 30 June 2000 together with comparative unaudited pro forma combined results for the corresponding period in 1999 as follows:

		Consolidated Three months ended 30 June 2000	Pro forma combined ended 30 June 1999
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2	42,598	39,006
Cost of sales		<u>(34,592)</u>	<u>(27,525)</u>
Gross profit		8,006	11,481
Other revenue		4,257	243
Distribution costs		(3,090)	(1,038)
Administrative expenses		<u>(8,955)</u>	<u>(5,877)</u>
PROFIT FROM OPERATING ACTIVITIES		218	4,809
Finance costs		<u>(105)</u>	<u>(275)</u>
PROFIT BEFORE TAX		113	4,534
Tax	3	<u>–</u>	<u>(559)</u>
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>113</u>	<u>3,975</u>
EARNINGS PER SHARE	5		
Basic		HK0.02 cent	HK0.94 cent

Notes:

1. Group reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands on 22 November 1999 as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. Pursuant to a reorganisation scheme to rationalize the structure of the Group in preparation for the public listing of its shares in March 2000, the Company became the holding company of the companies now comprising the Group on 7 March 2000. The Company's shares began trading on the GEM of the Stock Exchange on 28 March 2000.

The Group's results are presented using the following bases:

- a. The unaudited consolidated profit and loss account includes the results of the Company and its subsidiaries for the three months ended 30 June 2000.
- b. For information purposes, the unaudited pro forma combined profit and loss account includes the results of the Company's subsidiaries for the three months ended 30 June 1999 on a combined basis as if the current Group structure had been in existence throughout the three months ended 30 June 1999.

Although the reorganised Group structure did not legally exist until 7 March 2000, the directors consider that it is appropriate to present the unaudited pro forma combined profit and loss account for the three months ended 30 June 1999 on the bases as set out in (b) above since the principal activities of the Group were carried out by those subsidiaries prior to and after the completion of the Reorganisation.

2. Turnover

Turnover represents the net invoiced value of goods sold, after allowance for returns and trade discounts, business tax, where applicable, and services rendered. All significant intra-Group transactions have been eliminated on consolidation.

3. Tax

	Three months ended 30 June	
	2000	1999
	HK\$'000	HK\$'000
Hong Kong	–	559
Elsewhere	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>559</u>

No Hong Kong profits tax has been provided for the period as there was no assessable profit arising in Hong Kong during the period. Hong Kong profits tax was provided at the rate of 16% on the assessable profit arising in Hong Kong during the three months ended 30 June 1999. No other tax has been provided for the period (1999: Nil) as there was no assessable profit from territory outside Hong Kong during the period.

4. Dividend

The Board does not recommend the payment of an interim dividend for the period (1999:Nil).

5. Earnings per share

The calculation of basic earnings per share for the three months ended 30 June 2000 is based on the unaudited net profit attributable to shareholders for the period of HK\$113,000 and on the weighted average of 511,250,000 ordinary shares in issue throughout the period.

The calculation of basic pro forma earnings per share for the three months ended 30 June 1999 is based on the unaudited pro forma combined profit attributable to shareholders of HK\$3,975,000 and on the pro forma weighted average of 425,000,000 ordinary shares in issue during the period.

Diluted earnings per share for the period has not been calculated because no significant dilutive potential ordinary shares existed during the period.

6. Reserves

There was no movement to or from reserves during the period (1999: Nil).

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 30 June 2000, the interests of the directors and their associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of director	Notes	Number of issued ordinary shares of HK\$0.10 each in the Company held and nature of interest				Total
		Personal	Family	Corporate	Other	
Mr. Yip Heon Ping	(1)	-	-	-	404,280,619	404,280,619
Mr. Yip Seng Mun	(2)	-	-	-	404,280,619	404,280,619

Notes:

- (1) These shares are held by Greenford Company Limited, Century Technology Holding Limited and Bakersfield Global 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 HSBC International Trustee Limited as trustee of The New Millennium Trust, a discretionary family trust established with Mr. Yip Heon Ping as the discretionary object for the time being.
- (2) By virtue of the association with Mr. Yip Heon Ping, Mr. Yip Seng Mun has also declared his interests in the Company.

Save as disclosed above, at 30 June 2000, none of the directors or their associates had any personal, family, corporate or other interest in the issued share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of a share option scheme (the "Scheme") adopted by the Company on 7 March 2000, the board of directors was authorized, at its absolute discretion, to grant options to employees, including executive directors of the Company or any of its subsidiaries, to subscribe for shares in the Company. The Scheme became effective upon the listing of the Company's shares on the GEM of the Stock Exchange on 28 March 2000. On 29 May 2000, 21,633,000 share options were offered to executive directors and certain employees of the Group under the Scheme. The options are exercisable at HK\$1.52 per share. The Offers are opened for a period of 21 days from 29 May 2000.

The Company has received acceptance of offers for grant of share option to subscribe for a total of 19,325,000 shares from 63 Offerees. A summary of the terms of the three categories of options granted are set out below:–

Option	No. of employees entitled	Aggregate no. of shares	Exercise Period
1	56	3,725,000	29 May 2001-28 May 2010
2	2	1,400,000	29 May 2000-28 May 2010
3	5	14,200,000	29 May 2000-28 May 2010

As at 30 June 2000, none of the Company's directors/employees exercised any share options and no allotment or issue of share was made pursuant to the Scheme.

Directors' entitlement (Option 3) in share options at 30 June 2000 were as follows:

Name of director	Number of share options
Yip Seng Mun	3,000,000
Yip Heon Ping	2,800,000
Yip Heon Wai	2,800,000
Yip Heon Keung	2,800,000
Chan Fu Kuen, Gladys	2,800,000

Apart from the foregoing, at no time during the three months ended 30 June 2000 was the Company or any of its subsidiaries, its holding company, or any of its fellow subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2000, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares
Greenford Company Limited	155,931,035
Century Technology Holding Limited	155,931,035
Bakersfield Global Corporation	92,418,549
HSBC International Trustee Limited (<i>Notes 1 and 2</i>)	404,660,619

Notes:

- (1) Out of the 404,660,619 shares, an aggregate of 404,280,619 shares are held through Greenford Company Limited, Century Technology Holding Limited and Bakersfield Global 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 HSBC International Trustee Limited as trustee of The New Millennium Trust, a discretionary trust established with Mr. Yip Heon Ping as the discretionary object for the time being.
- (2) HSBC International Trustee Limited is a wholly owned subsidiary within the HSBC Group in which HSBC Investment Bank Holdings B.V., HSBC Holdings B.V., HSBC Finance (Netherlands) and HSBC Holdings plc are members and have reported their deemed interests in the shares as disclosed by HSBC International Trustee Limited.

Save as disclosed above, no persons, other than the directors of the Company, whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

COMPETING INTERESTS

None of the directors or the management shareholders of the Company (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, DBS Asia Capital Limited ("DBS"), as at 30 June 2000, neither DBS nor its directors nor employees nor any of their associates had any interest in the share capital of the Company.

Pursuant to the agreement dated 21 March 2000 entered with the Company, DBS received, and will receive, fees for acting as the Company's retained sponsor for the period from 1 April 2000 to 31 March 2002.

THE YEAR 2000 ISSUE

As the Group's suppliers provide warranty for the products distributed by the Group, the Group will not assume any risk if the products fail to be Year 2000 compliant. The Group should be protected by a back-to-back indemnity from its suppliers who will be responsible for the potential liabilities.

The Group has conducted an assessment on its internal computer systems and confirmed that its internal computer systems were Year 2000 compliant.

AUDIT COMMITTEE

The Company set up an Audit Committee (the "Committee") on 7 March 2000 with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the three months ended 30 June 2000, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
PROSTEN TECHNOLOGY HOLDINGS LIMITED
Chan Yim Kum
Company Secretary

Hong Kong, 10 August 2000