



# 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)



## Second Quarterly Result 第二季度業績

For the three months ended 30th September, 2000

截至二零零零年九月三十日止三個月

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## PROSTEN TECHNOLOGY HOLDINGS LIMITED

長達科技控股有限公司

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

### HIGHLIGHTS

- Turnover for the six months ended 30 September 2000 increased by approximately 51.6%.
- Net profit for the six months ended 30 September 2000 amounted to approximately HK\$17,404,000 and increased by 21.2%.
- The Board recommends the payment of an interim dividend of 2.5 cents per share for the six months ended 30 September 2000.

### BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 September 2000, Prosten Technology Holdings Limited and its subsidiaries ("the Group") achieved a turnover of HK\$153.6 million, a 51.6% increase from HK\$101.3 million for the same period in the previous year. The substantial growth in sales was attributable partly to the Group's expansion of its sales team to handle more accounts in the telecommunications industry. Also, the Group's research and development ("R&D") team managed to launch new applications that contributed to growth in sales. During the period under review, the network system market in the PRC was favorable as telecommunications operators in various provinces expanded their network systems in response to strong demand for Internet and value-added telecommunications services by both individuals and corporations in the PRC.

Profit for the first half of the financial year was HK\$17.4 million, a 21.2% increase from the same period last year. However, the Group's profit margins were under pressure during the period because of the Group's substantial growth in the number of staff, mainly on both sales and R&D teams. The total number of employees doubled to more than 200 from the end of the previous financial year. Of the increase of 103, 35 and 48 were added to sales and R&D teams, respectively. The management believes that the expansion program is important to the Group's growth in the long term. This should enable the Group to widen its sales coverage and help it move ahead of its competitors by timely providing new applications to the market. Meanwhile, the expansion program should have completed for the time being and the size of the staff should remain stable for the rest of the financial year.

During the period, the Group launched its new product e-Messenger to the PRC telecommunications market. e-Messenger is a carrier grade Unified Messaging engine which gives end-users global access of all of their e-mail, voice mail, fax, pager and video messages from the public switched telephone network, Internet or wireless network. Though only launched for a few months, the response has been encouraging and the Group has already clinched one contract for e-Messenger. With the planned launching of other new applications in the next few months, such as e-Switch (a B2B e-commerce platform for carrier class operators), the Group hopes that turnover could be further boosted and margins could be improved. Recently, the Group has teamed up with some proprietary software and equipment providers, such as Tornado, RTS Wireless, Sitara Networks and Nortel Networks. The Group will continue to look for opportunities to co-operate with new technology partners which can complement with our own applications and business. The management is confident that with the support of these technology partners, the Group will be able to achieve better performance in the longer term.

As at 30 September 2000, the Group had a balance of cash and cash equivalents of approximately HK\$319 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 six months and three months ended 30 September 2000 together with comparative unaudited pro forma combined results for the corresponding periods in 1999 as follows:

		<b>Consolidated</b>	<b>Pro forma Combined</b>	<b>Consolidated</b>	<b>Pro forma Combined</b>
		Six months ended 30 September		Three months ended 30 September	
	<i>Notes</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
<b>TURNOVER</b>	2	153,639	101,316	111,041	62,310
Cost of sales		(113,148)	(70,101)	(78,556)	(42,576)
Gross profit		<u>40,491</u>	<u>31,215</u>	<u>32,485</u>	<u>19,734</u>
Other revenue		9,755	454	5,498	211
Distribution costs		(5,640)	(1,737)	(2,550)	(699)
Administrative expenses		<u>(28,981)</u>	<u>(13,518)</u>	<u>(20,026)</u>	<u>(7,641)</u>
<b>PROFIT FROM OPERATING ACTIVITIES</b>		15,625	16,414	15,407	11,605
Finance costs		<u>(171)</u>	<u>(708)</u>	<u>(66)</u>	<u>(433)</u>
<b>PROFIT BEFORE TAX</b>		15,454	15,706	15,341	11,172
Tax	3	<u>1,950</u>	<u>(1,343)</u>	<u>1,950</u>	<u>(784)</u>
<b>NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS</b>		<u>17,404</u>	<u>14,363</u>	<u>17,291</u>	<u>10,388</u>
<b>DIVIDENDS</b>	4	<u>12,781</u>	<u>20,000</u>	<u>12,781</u>	<u>20,000</u>
<b>EARNINGS PER SHARE</b>	5				
Basic		HK3.4 cents	HK3.4 cents	HK3.4 cents	HK2.4 cents

*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:

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

	<b>Consolidated</b>	<b>Pro forma Combined</b>	<b>Consolidated</b>	<b>Pro forma Combined</b>
	Six months ended 30 September		Three months ended 30 September	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Hong Kong	(1,950)	947	(1,950)	388
Elsewhere	-	396	-	396
	<u>(1,950)</u>	<u>1,343</u>	<u>(1,950)</u>	<u>784</u>

No Hong Kong profits tax has been provided for the six months ended 30 September 2000 as there was no assessable profit arising in Hong Kong during the period. During the six months ended 30 September 2000, the Group received a tax refund of HK\$1,950,000 from Hong Kong Inland Revenue Department. No other tax has been provided for the six months ended 30 September 2000 as there was no significant assessable profit from territory outside Hong Kong during the period.

Hong Kong profits taxes were provided at the rate of 16% on the assessable profits arising in Hong Kong during the six months and three months ended 30 September 1999. Taxes on profits assessable elsewhere for the six months and three months ended 30 September 1999 were calculated at the rates of tax prevailing in the countries in which the Group operated, based on existing legislation, interpretations and practices in respect thereof.

## 4. Dividends

The Board recommends the payment of an interim dividend of 2.5 cents per share for the six months ended 30 September 2000 to shareholders whose names appear on the Register of Members on 8 December 2000. During the six months ended 30 September 1999, dividends of HK\$20,000,000 were paid by a Company's subsidiary to its then shareholders.

The Register of Members of the Company will be closed from Monday, 4 December 2000 to Friday, 8 December 2000, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for receiving the dividends, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tengis Limited at 4th Floor Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Friday, 1 December 2000. Expected dividend payable date is 12 December 2000.

## 5. Earnings per share

The calculation of basic earnings per share for the six months and three months ended 30 September 2000 are based on the unaudited net profit attributable to shareholders for the respective periods of HK\$17,404,000 and HK\$17,291,000 and on the weighted average of 511,250,000 ordinary shares in issue during the periods. The calculation of basic pro forma earnings per share for the six months and three months ended 30 September 1999 are based on the unaudited pro forma combined profit attributable to shareholders for the respective periods of HK\$14,363,000 and HK\$10,388,000 and on the pro forma weighted average of 425,000,000 ordinary shares in issue during the periods.

Diluted earnings per share for the six months and three months ended 30 September 2000 have not been shown as the exercise prices of the Company's share options were higher than the average market prices for shares during the periods.

## 6. Reserves

There was no movement to or from reserves during the six months ended 30 September 2000.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

*Business objectives as stated in the prospectus dated  
21 March 2000*

*Actual business progress*

### **Broadband data networks and Internet backbone solutions**

- |  |  |
|--|--|
| 1. Bid for tender for upgrading of Chinanet, the major Internet backbone of China. | In progress  |
| 2. Extend coverage of "179" projects to another province.                          | To be carried out after completing the existing projects |

### **Applications software development**

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|--|---|
| 1. Release IMS version 1.0 which is a packaged software to provide comprehensive network billing and management services.  | IMS has already been upgraded to version 3.0                              |
| 2. Develop the Video-on-Demand Management System and the Human Resources Management System into packaged software products.  | Projects have been postponed  |
| 3. Transform the Guangzhou software centre from a cost centre to a profit centre to allow it to engage in product marketing of packaged applications software and web-building services. | In progress   |
| 4. Identify, negotiate and (if viable) purchase small size quality software development houses to add quality software on the reserve of the Group's software pool.                      | Target company has been identified and acquisition will be finalised soon |

### **e-commerce solutions and related IT consultancy services**

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|--|---|
| 1. Develop e-commerce platform and applications for a PTA.   | In progress   |
| 2. Negotiate with COSFRE and finalise the design of e-commerce facility for cargo logistic and delivery.   | Project has been postponed due to reorganisation of e-commerce structure within COSCO |
| 3. Negotiate strategic alliance with reputable US technology partner for launching ASP services in Hong Kong with small and medium sized enterprises as target group of customers. | Already teamed up with a few reputable technology partners                            |

### **Broadband ISP**

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|---|---|
| 1. Launch broadband ISP services in Hong Kong.  | In progress                                 |
| 2. Promote the brandname of the ISP of the Group and seek establishment of formal linkage to international ISPs.              | In progress                                 |
| 3. Enter into peering arrangement with PTA(s) in the PRC to provide broadband contents from Hong Kong and US ISPs to the PRC. | Already teamed up with a data centre in PRC |

### **Sales and marketing**

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|---|-------------------|
| 1. Focus on bidding for the Internet backbone expansion project of Chinanet and e-commerce platform building contracts.                               | In progress       |
| 2. Invest additional marketing resources in promoting the Group's solution service for e-commerce platform to various PTAs.                           | In progress       |
| 3. Organise visits of customers to our demonstration laboratory in Guangzhou on e-commerce applications.  | Already completed |
| 4. Engage IT public relations company to formulate the marketing strategies for the Group's various applications software and broadband ISP services. | In progress       |

- |   |   |
|---|---|
| 5. Focus on increasing the Group's market share in the southern region of China in respect of Chinanet and e-commerce activities. | In progress   |
| 6. Organise promotion programme for the Internet Classified System.   | The project has been postponed as the ICP (dotcom) market was sluggish and the customers were conservative in spending on new system. |

#### Resources employment and administration

- |   |   |
|---|---|
| 1. Organise training programme for the Group's marketing and technical staff to cover the solution service for e-commerce platform.           | Already set routine training programme as on going exercise |
| 2. Strengthen the accounting functions of Guangzhou office to transform it into a profit centre.  | In progress   |
| 3. Develop multi-location real time reporting system for accounting and management information customised to the Group's business activities. | A system has been acquired and will be implemented soon     |
| 4. Recruit sales and marketing personnel for broadband ISP services.  | Already recruited   |

#### USE OF PROCEEDS

The Company obtained net proceeds, after deducting related expenses, of approximately HK\$363 million from the new issue of shares by way of placing. During the period from 28 March 2000 (date of listing) to 30 September 2000, the Group has applied the net proceeds as follows:

	HK\$ million
For expanding broadband data networks and Internet backbone solution operations in the Greater China region	33.2
For the development of applications software for network operations	2.2
For the development of e-commerce platforms and related applications software for ASP	1.9
For the acquisition of hardware and software for setting up a broadband ISP in Hong Kong and for related marketing and operational costs	17.2
	54.5

#### DIRECTORS' INTERESTS IN SHARE CAPITAL

At 30 September 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 September 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 is 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. The following share options were offered to and accepted by executive directors and certain employees of the Group under the Scheme. A summary of the terms of the three categories of option granted are set out below:

Date granted	Option category	No. of employees entitled	Aggregate no. of shares accepted	Exercise period
29 May 2000 (at subscription price: HK\$1.52/share)	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
28 August 2000 (at subscription price: HK\$1.43/share)	1	2	1,300,000	28 August 2001 - 27 August 2010
	2	1	1,000,000	28 August 2000 - 27 August 2010
13 October 2000 (at subscription price: HK\$1.22/share)	1	18	1,590,000	13 October 2001 - 12 October 2010
	2	3	2,800,000	13 October 2000 - 12 October 2010
	3	5	13,000,000	13 October 2000 - 12 October 2010

As at 13 November 2000, none of the Company's directors/employees exercises any share option and no allotment or issue of share was made pursuant to the Scheme. The total number of shares underlying Options granted remains 39,015,000 shares.

Directors' entitlement (Option 2 & 3) in share options at 13 November 2000 are as follows:

Name of director	Number of share options
Mr. Yip Seng Mun	6,000,000
Mr. Yip Heon Ping	6,300,000
Mr. Yip Heon Wai	5,300,000
Mr. Yip Heon Keung	5,300,000
Ms. Chan Fu Kuen, Gladys	4,300,000
Mr. Chiu Wai Ki	2,000,000
Dr. Clement Lau	1,600,000

Apart from the foregoing, at no time during the period ended 13 November 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 September 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 share
Greenford Company Limited	155,931,035
Century Technology Holding Limited	155,931,035
Bakersfield Global Corporation	92,418,549
HSBC International Trustee Limited (Notes 1 and 2)	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 September 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 six months ended 30 September 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, 13 November 2000

*This announcement will remain on the GEM website on the "Latest Company Announcements" page for 7 days from the day of its posting.*