



PROSTEN

PROSTEN TECHNOLOGY HOLDINGS LIMITED
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

The Stock Exchange of Hong Kong Limited 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 Growth Enterprise Market of the Stock Exchange of Hong Kong Limited 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.

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK 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 of the Stock Exchange 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.



PROSTEN TECHNOLOGY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

2001 INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2001

HIGHLIGHTS

- Turnover of the Group for the six months ended 30 September 2001 was approximately HK\$58.1 million representing a decrease of approximately 62.2% as compared with the corresponding period in 2000.
- Net loss of the Group for the six months ended 30 September 2001 was approximately HK\$50.30 million representing an increase in net loss of approximately 388% as compared with the net profit of the corresponding period in 2000.
- Loss per share of the Company during the six months ended 30 September 2001 was approximately HK\$9.8 cents.
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2001.

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 September 2001, the Company and its subsidiaries ("the Group") achieved a turnover of approximately HK\$58.1 million representing a decrease of approximately 62.2% from approximately HK\$153.6 million as compared with the corresponding period in 2000. The decrease in the turnover of the Group was principally attributable to sluggish market condition in the global Internet and telecommunication equipment markets. Despite the Group suffered a net loss of approximately HK\$50.3 million for the six months ended 30 September 2001, the Group exercised tight cost-control measures during the three months ended 30 September 2001. As a result, the total expenses of the Group, including salaries, office rental, traveling costs, recorded decreases as compared to the three months ended 30 June 2001. During the remaining of this financial year, the management of the Company will continue to focus on strengthening the foundation of the Company and to consolidate the financial resources of the Group in order to capture additional market share when the market rebounds by adopting effective marketing strategy.

The Directors consider that the overall business outlook of the Group, which is significantly depending on the economic development in the People's Republic of China (the "PRC") and the level of competition in the Internet and telecommunication equipment markets, for the remaining of this financial year will continue to be affected by the sluggish market condition, and hence it is expected to be not very certain. In light of this market condition, the Group will continue to focus on software solution sales and service oriented businesses.

The Group increased its business activities in the form of trials of a number of telecommunication carriers in the PRC during the period under review. Although it is expected that the global economic condition may not improve substantially in the near future, the anticipated continuous growth of the economy in the PRC following its accession to the World Trade Organisation is expected to provide additional business opportunities to the Group which the Directors believe that they will benefit the results of the Group for the remaining part of this financial year. The Directors also believe that, with the Group's team of professional engineers, the Group will be able to capture additional business opportunities and it will also be able to fully utilise its expertise in competing with its competitors.

As at 30 September 2001, the Group maintained a cash position with cash and bank balances of approximately HK\$139.50 million.

RESULTS

The board (the "Board") of Directors announces the unaudited consolidated results of the Group for the six months and three months ended 30 September 2001 together with comparative results for the corresponding periods in 2000 as follows:

	Notes	Six months ended 30 September		Three months ended 30 September	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
TURNOVER	1	58,134	153,639	21,031	111,041
Cost of sales		(54,685)	(113,148)	(19,979)	(78,556)
Gross profit		<u>3,449</u>	<u>40,491</u>	<u>1,052</u>	<u>32,485</u>
Other revenue		2,769	9,755	1,708	5,498
Selling and distribution costs		(13,256)	(5,640)	(5,027)	(2,550)
Administrative expenses		(43,055)	(28,981)	(18,747)	(20,026)
Other operating expenses		(21)	-	-	-
PROFIT / (LOSS) FROM OPERATING ACTIVITIES		<u>(50,114)</u>	<u>15,625</u>	<u>(21,014)</u>	<u>15,407</u>
Finance costs		(15)	(171)	(15)	(66)
PROFIT / (LOSS) BEFORE TAX		<u>(50,129)</u>	<u>15,454</u>	<u>(21,029)</u>	<u>15,341</u>
Tax	2	<u>(150)</u>	<u>1,950</u>	<u>(60)</u>	<u>1,950</u>
NET PROFIT / (LOSS) FROM ORDINARY ACITIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(50,279)</u>	<u>17,404</u>	<u>(21,089)</u>	<u>17,291</u>
DIVIDENDS	3	<u>-</u>	<u>12,781</u>	<u>-</u>	<u>12,781</u>
EARNINGS / (LOSS) PER SHARE	4				
Basic		<u>(HK9.8cents)</u>	<u>HK3.4cents</u>	<u>(HK4.1cents)</u>	<u>HK3.4cents</u>

Notes:

1. 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.

2. Tax

	Six months ended 30 September 2001		Three months ended 30 September 2001	
	2000	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	-	(1,950)	-	(1,950)
Elsewhere	150	-	60	-
	<u>150</u>	<u>(1,950)</u>	<u>60</u>	<u>(1,950)</u>

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits 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.

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.

3. Dividends

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2001. During the six months ended 30 September 2000, the Board recommended the payment of an interim dividend of 2.5 cents per share, which was paid on 12 December 2000 to its shareholders.

4. Earnings per share

The calculation of basic loss per share for the six months and three months ended 30 September 2001 are based on the unaudited net loss attributable to shareholders for the respective periods of HK\$50,279,000 (2000: net profit of HK\$17,404,000) and HK\$21,089,000 (2000: net profit of HK\$17,291,000), respectively, and on the weighted average of 511,250,000 (2000: 511,250,000) ordinary shares in issue throughout the periods.

Diluted loss per share for the six months and three months ended 30 September 2001 has not been shown as the share options and warrants outstanding had an anti-dilutive effect on the basic loss per share for the period.

Diluted earnings per share for the six months and three months ended 30 September 2000 has not been shown as no dilutive potential ordinary shares existed during the period.

COMPARISON OF THE BUSINESS OBJECTIVES WITH THE ACTUAL BUSINESS PROGRESS

BUSINESS OBJECTIVES AND FUTURE PLANS AND PROSPECTS ACTUAL RESULTS

Broadband data networks and Internet backbone solutions

1. Final testing of Phase II of the Zhe Jiang ATM/FR broadband network project	Final acceptance testing in progress
2. Awarded Hainan China Telecom's 163/169 Internet infrastructure expansion project	Completed
3. Hainan China Telecom Data 97 BOSS project	Tender awarded commenced
4. Hainan China Telecom 163/169 Billing/Rating system enhancements	In progress
5. China Unicom VoIP Phase III expansion project	Tender awarded commenced
6. Shanghai China Telecom Wireless LAN Billing/Rating system	Completed
7. Shekou CATV BOSS system	Completed
8. Sanlian MAN BOSS system	In progress

Applications software development

- | | |
|--|--|
| 1. KiNETic Messenger development and deployment | Trial system for GZ China Telecom and GZ Unicom |
| 2. KiNETic Billcare 4.0 development and deployment | In progress |
| 3. KiNETic Switcher development and deployment | In progress |
| 4. SMS Town development and deployment | Production system now launched in Fuzhou China Telecom |
| 5. KiNETic Publisher development and deployment | Phase II now in development |
| | Trial system for Shekou CATV |
| | Trial system for Shandong Unicom |

e-commerce solutions and related IT consultancy services

- | | |
|---|-------------|
| 1. Integration of Billcare 3.0 with KiNETic Switcher for Fujian 179 project | Completed |
| 2. Feasibility study on the integration of SINO-FINDER to Switcher | Completed |
| 3. Integration of Billcare 3.0 with KiNETic Messenger | In progress |
| 4. Integration of Billcare 3.0 with KiNETic Publisher | In progress |

Broadband ISP

- | | |
|---|------------------------|
| 1. Billing/Rating system for Shanghai Telecom | Completed and launched |
| 2. Billing/Rating system for Shekou CATV | Completed and launched |

Sales and marketing

- | | |
|--|-------------|
| 1. Sales focus on KiNETic family of products | In progress |
| 2. Pursue KiNETic Messenger trial at Railcom | In progress |
| 3. Focus on generating service revenue | In progress |

Resources employment and administration

- | | |
|---|-----------|
| 1. Continue training program for sales on e-commerce and solution sales | Completed |
| 2. Company restructuring to lower costs | Completed |

USE OF PROCEEDS

The Company obtained net proceeds, after deducting relating expenses, of approximately HK\$363.00 million from the new issue of shares by way of placing. During the period from 28 March 2000 (date of listing) to 30 September 2001, 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	76.9
For the development of applications software for network operations, and acquisition of investment	99.9
For development of e-commerce platforms and related applications software for Application Service Provider	4.3
For the acquisition of hardware & software for setting up a broadband Internet Service Provider in HK and for related marketing and operational costs	25.9

For advertising and promotional expenses for expanding broadband data networks solution operations in the Greater China region 3.5

For deployment of human resources, setting up representative offices in target regions and related administration 3.0

—
213.5

====

The difference in use of proceeds is the operating expenses spent in the business expansion in PRC, and other software development.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow. As at 30 September 2001, the Group had cash and bank balances amounting to a total of approximately HK\$139.50 million and a bank loan of approximately HK\$1.40 million. With these financial resources, the Board believes that the Group has adequate capital resources to finance its business objectives as stated in its prospectus dated 21 March 2000.

NO MOVEMENT OF RESERVE

There was no movement to or from reserves during the six months and three months ended 30 September 2001 (2000:Nil).

DIRECTORS' INTERESTS IN SHARE CAPITAL

At 30 September 2001, the interests of the Directors and their associates in the share capital of the Company or its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, were as follows:

Number of issued ordinary shares of HK\$0.10 each in the Company held and nature of interest

Name of director	Notes	Personal	Family	Corporate	Other	Total
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.

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

Save as disclosed above, as at 30 September 2001, none of the Directors or their associates had any personal, family, corporate or other interests 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 "Option Scheme") adopted by the Company on 7 March 2000, the Board is authorised, at its absolute discretion, to grant options to employees of the Group, including executive Directors and the directors of any of the Company's subsidiaries, to subscribe for shares in the Company. The Option Scheme became effective upon the listing of the Company's shares on GEM on 28 March 2000. On 29 June 2001, the Company issued a circular to its shareholders in which a proposed cancellation of the share options granted under the Option Scheme prior to that date to the Directors and the employees of the Group and a proposed increase of the maximum number of share options to be granted under the Option Scheme were made. The independent shareholders of the Company approved such proposed cancellation of share options and such proposed increase in the maximum number of share options to be granted under the Option Scheme at the annual general meeting of the Company held on 27 July 2001. Details of the share options, granted at a cash consideration of HK\$1 per grantee, under the Option Scheme to the Directors are as follows:

Name of Director	As at 1 April 2001	Movement during the period			Number of share options outstanding as at 30 Sept 2001	Exercise price of share options	Exercise period of share options
		Cancelled	Re-granted	Exercised			
Mr. Yip Seng Mun	6,000,000	6,000,000	6,000,000	-	6,000,000	HK\$0.40	22 Aug 2001 to 21 Aug 2011
Mr. Yip Heon Ping	6,300,000	6,300,000	6,300,000	-	6,300,000	HK\$0.40	22 Aug 2001 to 21 Aug 2011
Mr. Yip Heon Wai	5,300,000	5,300,000	5,300,000	-	5,300,000	HK\$0.40	22 Aug 2001 to 21 Aug 2011
Mr. Yip Heon Keung	5,300,000	5,300,000	5,300,000	-	5,300,000	HK\$0.40	22 Aug 2001 to 21 Aug 2011
Ms. Chan Fu Kuen, Gladys	4,300,000	4,300,000	4,300,000	-	4,300,000	HK\$0.40	22 Aug 2001 to 21 Aug 2011
Mr. Chiu Wai Ki	2,000,000	2,000,000	2,000,000	-	2,000,000	HK\$0.40	22 Aug 2001 to 21 Aug 2011
Dr. Clement Lau	1,600,000	1,600,000	1,600,000	-	1,600,000	HK\$0.40	22 Aug 2001 to 21 Aug 2011

In accordance with the terms of the Option Scheme, the share options are exercisable within a period of 10 years from the date when the share options are granted. During the three months ended 30 September 2001, none of the Directors had exercised any share option and no allotment or issue of any share of the Company was made pursuant to the Option Scheme.

Apart from the foregoing, at no time during the three months ended 30 September 2001 was the Company or any of its subsidiaries a party to any arrangement to enable the 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 2001, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Percentage of holding	Number of ordinary shares
Greenford Company Limited	30.5%	155,931,035
Century Technology Holding Limited	30.5%	155,931,035
Bakersfield Global Corporation	18.1%	92,418,549
HSBC International Trustee Limited (<i>Notes 1 and 2</i>)	79.1%	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, 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 (as defined under the GEM Listing Rules) of the Company had any interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTERESTS

Pursuant to a sponsor agreement dated 21 March 2000 entered into between the Company and DBS Asia Capital Limited ("DBS Asia"), DBS Asia received, and will receive, fees for acting as the Company's retained sponsor for the period from 1 April 2000 to 31 March 2002.

Save as disclosed above, as at 30 September 2001, DBS Asia, its directors, employees or associates, did not have any interest in the securities of the Company and any members of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any members of the Group.

AUDIT COMMITTEE

The Board 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 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
PROSTEN TECHNOLOGY HOLDINGS LIMITED
Yip Seng Mun
Chairman

Hong Kong, 14 November 2001

This announcement will remain on the GEM website with the domain name of www.hkgem.com on the "Latest Company Announcements" page for not less than 7 days from the day of its posting.