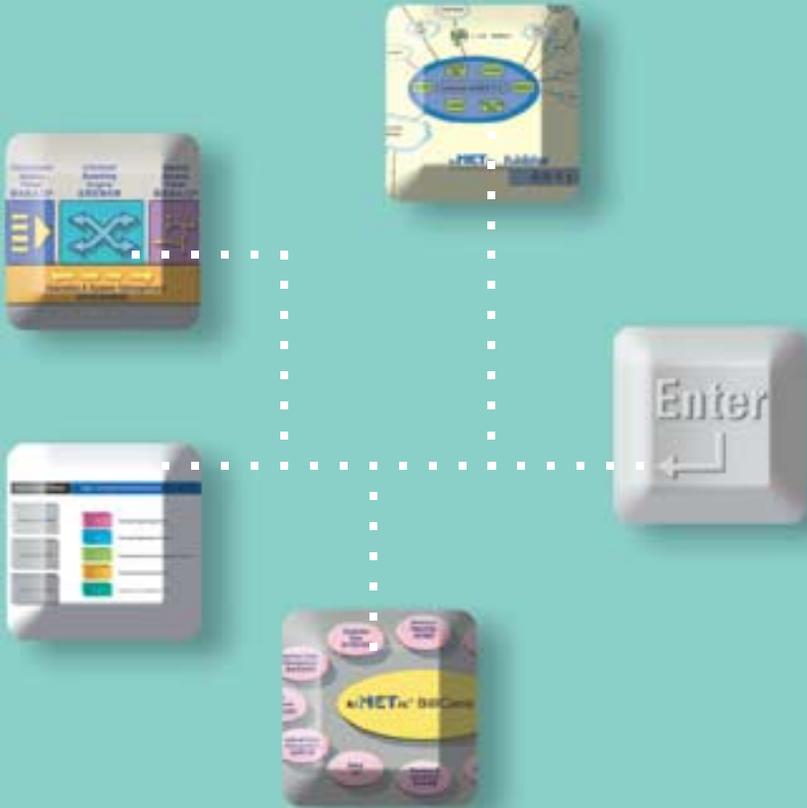




PROSTEN TECHNOLOGY HOLDINGS LIMITED

長達科技控股有限公司*

(incorporated in the Cayman Islands with limited liability)



* For identification purpose only

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 announcement 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.

The Exchange takes no responsibility for the contents of this report, 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 report.

This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Turnover of the Group for the three months ended 30 June 2002 amounted to approximately HK\$5.4 million, representing a decrease of approximately 85% as compared to the same period in previous year.
- Net loss attributable to shareholders for the three months ended 30 June 2002 amounted to approximately HK\$17.2 million.
- The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2002.

UNAUDITED CONSOLIDATED RESULTS

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 three months ended 30 June 2002 together with the unaudited comparative figures for the corresponding period in 2001 as follows:

	Notes	Three months ended 30 June	
		2002 HK\$'000	2001 HK\$'000
TURNOVER	2	5,390	37,103
Cost of sales		<u>(3,264)</u>	<u>(34,706)</u>
Gross profit		2,126	2,397
Other revenue		494	1,061
Selling and distribution costs		(6,257)	(8,229)
General and administrative expenses		(12,133)	(24,308)
Other operating expenses		<u>(1,381)</u>	<u>(21)</u>
LOSS FROM OPERATING ACTIVITIES		(17,151)	(29,100)
Finance costs		<u>(36)</u>	<u>—</u>
LOSS BEFORE TAX		(17,187)	(29,100)
Tax	3	<u>(3)</u>	<u>(90)</u>
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(17,190)</u>	<u>(29,190)</u>
LOSS PER SHARE	4		
Basic		<u>(HK3.4 cents)</u>	<u>(HK5.7 cents)</u>

Notes:

1. Basis of presentation

The Group's unaudited consolidated profit and loss account have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention except for the re-measurement of short term investments.

2. Turnover

Turnover represents the net invoiced value of goods sold, after allowances 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	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong	–	–
Elsewhere	3	90
	3	90

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

4. Loss per share

The calculation of basic loss per share for the three months ended 30 June 2002 is based on the unaudited net loss attributable to shareholders of HK\$17,190,000 (2001: net loss of HK\$29,190,000) and on the weighted average number of 511,250,000 ordinary shares (2001: 511,250,000 ordinary shares) in issue throughout the period.

Diluted loss per share amount for the three months ended 30 June 2002 and 2001 have not been shown as the share options and warrants outstanding had an anti-dilutive effect on the basic loss per share for the periods.

5. Reserves

	Share premium account HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2001	339,275	129	4,606	344,010
Net loss for the period	–	–	(29,190)	(29,190)
Exchange differences arising on consolidation of overseas subsidiaries	–	(35)	–	(35)
	<u>339,275</u>	<u>94</u>	<u>(24,584)</u>	<u>314,785</u>
At 30 June 2001	339,275	95	(160,833)	178,537
Net loss for the period	–	–	(17,190)	(17,190)
Exchange differences arising on consolidation of overseas subsidiaries	–	(14)	–	(14)
	<u>339,275</u>	<u>81</u>	<u>(178,023)</u>	<u>(161,333)</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2002 (2001: Nil).

FINANCIAL REVIEW

The Group's turnover for the three months ended 30 June 2002 was approximately HK\$5.4 million, which was a 85% decrease compared to approximately HK\$37.1 million for the same period in 2001. The drop in turnover was mainly due to the weak market environment in the PRC.

The gross profit margin of the Group was 39.4% for the quarter under review compared with the gross margin of 6.5% for the corresponding period in 2001. The higher gross profit margin of the Group was attributable to the increase in services contract which has a higher profit margin, when compared to the sale of hardware in the same period of last year.

The Group recorded a net loss attributable to shareholders of approximately HK\$17.2 million for the three months ended 30 June 2002; a significant improvement of 41% when compared with the loss of approximately HK\$29.2 million recorded in the same quarter of 2001. The improvement was due to the Group's adoption and implementation of more effective cost control measures to reduce the overall operating expenses both in the PRC and Hong Kong. As a result, the Group has reduced its selling and distribution costs and general and administrative expenses to approximately HK\$6.3 million and HK\$12.1 million respectively for the three months ended 30 June 2002, representing a 24% and 50% decrease respectively from approximately HK\$8.2 million and HK\$24.3 million for the corresponding period in 2001.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2002, the Group's total shareholders' funds amounted to HK\$212 million compared with HK\$366 million at 30 June 2001. The Group has net current assets of HK\$147 million including cash and bank balances of HK\$124 million compared with net current assets of HK\$295 million including cash and bank balances of HK\$188 million at 30 June 2001. The Group's liquidity remained sound with a current ratio of 6.1 as at 30 June 2002 (2001: 9.5). With these healthy financial positions, the Directors believe that the Group has adequate capital resources to finance its business objectives in the coming year.

BUSINESS REVIEW AND OUTLOOK

Through a series of business adjustment, the Group is now focusing on high gross profit margin projects and projects which can generate recurring revenue. For the three months ended 30 June 2002, the Group achieved a gross profit margin of 39.4%, compared with 6.5% for the corresponding period in 2001. Additionally, the Group had implemented effective control measures to reduce its overall operating expenditures. The Group's selling and distribution costs and general and administrative expenses for this quarter dropped 24% and 50%, respectively, compared with the amounts recorded in the same quarter of 2001. As at 30 June 2002, the Group still maintained a healthy cash position with cash and bank balances of approximately HK\$124 million and current ratio of 6.1.

The Group continues to deliver high value added software products and solutions based on the kiNETic product series. It was awarded an expansion contract from Hainan Telecom for the 163 internet billing platform. This has proved the Group's capability to develop reliable product (kiNETic Billcare) and deliver outstanding customer support. The Group has been teaming with China Unicom in the past eight months to develop mobile value added services based on kiNETic Publisher platform. Recently, the Group has concluded a contract with China Unicom in Shangdong Province to jointly provide information distribution services to mobile phone users via kiNETic Publisher. This contract is a milestone for the Group and expected to provide recurring revenue. Negotiations with a major Chinese bank and China Unicom in other provinces to provide similar services are in progress and expected to be finalized soon.

With a strong team of software professionals in the Group's Shenzhen Software Development Centre, the Group was awarded a contract to build 165 web site for China Unicom in Gangsu Province. In addition, the Group was awarded another contract by Gangsu Province to build an internet data center which symbolized a strong determination for the economic development of Northwestern China.

The Group's networking service unit has been selected to provide IP network maintenance services to China Telecom in Henan Province. This unit is also broadening its customer base through providing networking engineering, maintenance, assessment, system management and e-business consulting services to enterprises that are not in telecommunications sector.

The poor economic climate and trend in cautious spending by the telecommunications operators in the PRC continued during the quarter under review. The Group is making further measures to control its expenditures with the aim to lower its total operating costs aggressively in order to maintain the Group's competitiveness in the market. In addition, the Group will continue to concentrate its marketing efforts on high margin services and products, including forming further alliances with companies in related industry.

DIRECTORS' INTERESTS IN SHARES AND WARRANTS

As at 30 June 2002, the interests of the Directors of the Company and their associates in the issued share capital and warrants of the Company and 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:

Ordinary shares of the Company

Name of Director	Notes	Number of shares held and nature of interest			
		Personal	Family	Corporate	Other
Mr. Yip Heon Ping	(1)	–	–	–	404,280,619
Mr. Yip Seng Mun	(2)	–	–	–	248,349,584
Dr. Clement Lau	(3)	–	–	20,719,381	–

Notes:

- (1) These shares were 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 were held by Cititrust (Cayman) 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) These shares were held by Century Technology Holding Limited and Bakersfield Global Corporation and were beneficially owned by Mr. Yip Seng Mun.
- (3) The 20,719,381 shares were held by First League Investments Limited, a company of which Dr. Clement Lau was a director and held 40% of its equity interest.

Warrants of the Company ("2004 Warrants")

Name of Director	Notes	Number of 2004 Warrants held and nature of interest			
		Personal	Family	Corporate	Other
Dr. Clement Lau	(1)	–	23,850	9,983,750	–

Note:

- (1) On 5 January 2001, a bonus issue of 2004 Warrants was implemented whereby each of the 2004 Warrants will entitle the registered holder to subscribe for one share of the Company at a subscription price of HK\$1.43 per share, payable in cash and subject to adjustment, during the period from 9 January 2001 to 8 January 2004.

As at 30 June 2002, 9,983,750 units of the 2004 Warrants were held by First League Investments Limited, a company of which Dr. Clement Lau was a director and held 40% of its equity interest. In addition, Dr. Clement Lau and his wife also held an aggregate of 23,850 units of the 2004 Warrants as at 30 June 2002.

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 June 2002, none of the Directors of the Company or their associates had any personal, family, corporate or other interests in the issued share capital and warrants of the Company or any of its associated corporations, as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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 terms of the share option scheme adopted by the Company on 7 March 2000, the Board was authorised, at its absolute discretion, to grant options to the Company's Directors and employees of the Group, to take up options to subscribe for shares of the Company. The share option scheme became effective for a period of 10 years commencing on the listing of the Company's shares on the GEM of the Exchange on 28 March 2000 (the "Old Scheme").

Pursuant to the annual general meeting held on 27 July 2001, ordinary resolutions were passed by the shareholders to approve the cancellation and the re-grant of the share options under the Old Scheme.

At the extraordinary general meeting of the Company held on 9 April 2002 (the "EGM"), ordinary resolutions to approve the termination of the Old Scheme and the adoption of a new share option scheme (the "New Scheme") were duly passed by the shareholders. Upon termination of the Old Scheme, no further options will be granted thereunder but in all other respects, the provisions of the Old Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith. The New Scheme became effective for a period of 10 years commencing on 23 April 2002. Under the New Scheme, the Directors may, at their sole discretion, grant to any eligible participants under the New Scheme options to subscribe for shares in the Company.

The following Directors were granted share options under the Old Scheme to subscribe for shares of the Company, details of which are as follows:

Name of Director	Number of options re-granted on 22 August 2001 at exercise price of HK\$0.40 per share	Number of share options outstanding as at 30 June 2002	Exercise period of share options
Mr. Yip Seng Mun	6,000,000	6,000,000	22 August 2001 to 21 August 2011
Mr. Yip Heon Ping	6,300,000	6,300,000	22 August 2001 to 21 August 2011
Mr. Yip Heon Wai	5,300,000	5,300,000	22 August 2001 to 21 August 2011
Mr. Yip Heon Keung	5,300,000	5,300,000	22 August 2001 to 21 August 2011
Ms. Chan Fu Kuen, Gladys	4,300,000	4,300,000	22 August 2001 to 21 August 2011
Dr. Clement Lau	1,600,000	1,600,000	22 August 2001 to 21 August 2011

The following Director was granted share options under the New Scheme to subscribe for shares of the Company, details of which are as follows:

Name of Director	Number of options granted on 22 May 2002 at exercise price of HK\$0.26 per share	Number of share options outstanding as at 30 June 2002	Exercise period of share options
Mr. Au Shing Kwok	500,000	500,000	22 May 2002 to 21 May 2012

In accordance with the terms of the relevant share option schemes, the exercise period of the options granted is determinable by the Directors, and subject to a certain vesting period and ends in any event not later than 10 years from the respective date when the share options are granted. During the three months ended 30 June 2002, none of the Directors exercised any share options and no allotment or issue of any share of the Company was made pursuant to the option schemes.

Apart from the foregoing, at no time during the three months ended 30 June 2002 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their spouse or children under 18 years of age to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, 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	Number of ordinary shares	Percentage of holding
Greenford Company Limited	155,931,035	30.5
Century Technology Holding Limited	155,931,035	30.5
Bakersfield Global Corporation	92,418,549	18.1
Cititrust (Cayman) Limited (Notes 1 and 2)	<u>404,280,619</u>	<u>79.1</u>

Notes:

- (1) 404,280,619 shares were held through Greenford Company Limited, Century Technology Holding Limited and Bakersfield Global Corporation as trustee of The Greenford Unit Trust, The Century Unit Trust and The Bakersfield Unit Trust, respectively, all of the units of which were held by Cititrust (Cayman) 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) Cititrust (Cayman) Limited is a wholly-owned subsidiary of Citibank Overseas Investment Corporation which in turn is owned by Citibank N.A.

Save as disclosed above, no persons, other than the Directors of the Company, whose interests are set out under the section "Directors' interests in shares and warrants" above, had registered an interest in the issued 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 or their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

CHANGE OF DIRECTORS

Subsequent to the reported period ended 30 June 2002 and prior to the date of this report, the following changes took place:

- (i) The position of Dr. Clement Lau in the Company has changed from executive Director to non-executive Director of the Company with effect from 30 July 2002.
- (ii) Ms. Chan Fu Kuen, Gladys has resigned as the executive Director of the company with effect from 8 August 2002.

AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 7 March 2000 with written terms of reference in compliance with the GEM Listing Rules. The Committee comprises two independent non-executive Directors of the Company, namely Messrs. James T. Siano and Au Shing Kwok. The primary duties of the Committee are to review and supervise the financial reporting process and internal controls of the Group. The Committee has reviewed the draft of this announcement and has provided advice and comments thereon.

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

During the three months ended 30 June 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
Yip Seng Mun
Chairman

Hong Kong, 9 August 2002