



## **Mobile Telecom Network (Holdings) Limited**

(Incorporated in the Cayman Islands with limited liability)

Third Quarterly Report 2005

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

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*This report, for which the directors (the “Directors”) of Mobile Telecom Network (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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.*

## RESULTS

The board of Directors (the “Directors”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months (“Three-Month Period”) and nine months (“Nine-Month Period”) ended 31 December 2005, together with the unaudited comparative figures for the corresponding periods in 2004 as follows:

### UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

*For the three months and nine months ended 31 December 2005*

		Three months ended 31 December		Nine months ended 31 December	
		2005	2004	2005	2004
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	5,502	5,441	13,877	16,043
Other revenue		159	25	235	108
Telecom operators costs		(3,292)	(3,412)	(7,859)	(10,666)
Employment costs		(1,442)	(1,423)	(4,310)	(4,262)
Research and development expenses		(187)	(242)	(648)	(803)
Depreciation of fixed assets		(33)	(43)	(106)	(225)
Other operating expenses		(1,053)	(865)	(3,020)	(2,856)
Loss from operations		(346)	(519)	(1,831)	(2,661)
Share of loss of an associate		(12)	(12)	(17)	(12)
Share of profit of Joint Venture		39	—	39	—
Finance costs		(8)	(14)	(73)	(49)
Loss before taxation		(327)	(545)	(1,882)	(2,722)
Taxation	3	—	—	—	—
Loss after taxation		(327)	(545)	(1,882)	(2,722)
Attributable to:					
Equity holders of the parent		(403)	(679)	(1,612)	(3,072)
Minority interests		76	134	(270)	350
Loss attributable to shareholders		(327)	(545)	(1,882)	(2,722)
Loss per share — basic	4	0.09 cent	0.15 cent	0.35 cent	0.70 cent

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2005

	Unaudited attributable to equity holders of the parent									
			Capital	Cumulative	Convertible					
	Share	Share	Capital	redemption	translation	notes	Accumulated		Minority	Total
	capital	premium	reserve	reserve	adjustments	reserves	deficits	Total	interests	equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005, as previously stated	34,530	35,303	16,375	2,943	544	—	(72,896)	16,799	557	17,356
Effect of adoption of HKAS 39	—	—	—	—	—	545	(463)	82	—	82
At 1 April 2005, as restated	34,530	35,303	16,375	2,943	544	545	(73,359)	16,881	557	17,438
Translation adjustments	—	—	—	—	28	—	—	28	—	28
Issue of shares	2,400	—	—	—	—	—	—	2,400	—	2,400
Exercise of convertible notes	—	—	—	—	—	(11)	—	(11)	—	(11)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	19	19
Loss for the period	—	—	—	—	—	—	(1,612)	(1,612)	(270)	(1,882)
At 31 December 2005	<u>36,930</u>	<u>35,303</u>	<u>16,375</u>	<u>2,943</u>	<u>572</u>	<u>534</u>	<u>(74,971)</u>	<u>17,686</u>	<u>306</u>	<u>17,992</u>
At 1 April 2004	34,320	35,303	16,375	2,943	531	—	(68,916)	20,556	243	20,799
Translation adjustments	—	—	—	—	104	—	—	104	—	104
Issue of shares	210	—	—	—	—	—	—	210	—	210
Loss for the period	—	—	—	—	—	—	(3,072)	(3,072)	350	(2,722)
At 31 December 2004	<u>34,530</u>	<u>35,303</u>	<u>16,375</u>	<u>2,943</u>	<u>635</u>	<u>—</u>	<u>(71,988)</u>	<u>17,798</u>	<u>593</u>	<u>18,391</u>

## NOTES TO THE CONDENSED THIRD QUARTERLY ACCOUNTS:

### 1. Basis of preparation and accounting policies

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34: Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

These unaudited condensed consolidated accounts should be read in conjunction with the 2005 annual accounts.

The accounting policies adopted for the preparation of these unaudited condensed consolidated accounts are consistent with those used in the annual accounts for the year ended 31 March 2005 except that the Group has changed certain of its accounting policies following the adoption of new/revised Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standards (“HKAS”) (collectively referred to as “new HKFRSs”) which are relevant to its operation and effective for accounting periods commencing on or after 1 January 2005. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies and the effects of adopting these new HKFRSs are set out as below:

- (a) The presentation of minority interests in the consolidated balance sheet, profit and loss account and statement of changes in equity has been changed. The presentation for the comparative period has been restated accordingly.
- (b) On adoption of HKASs 32 and 39, the component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On the issue of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible notes, and this amount is carried as liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders’ equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

This change in accounting policies is applied retrospectively by way of adjustments to the opening balance of accumulated deficits as at 1 April 2005, and comparative figures have not been restated.

## 2. Turnover

The Group is principally engaged in the development, provision and sale of mobile Internet communication telecommunications and related services in Hong Kong and other Asian countries. Revenue recognised during the periods is as follows:

	Unaudited Three months ended 31 December 2005		Unaudited Nine months ended 31 December 2005	
	2004	2005	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Subscription fees from provision of MobileSurf service	—	—	—	7
Service fees from provision of mobile data solutions and related services	5,441	5,502	16,036	13,877
	<u>5,441</u>	<u>5,502</u>	<u>16,036</u>	<u>13,877</u>

## 3. Taxation

No provision for Hong Kong profits tax has been made in the accounts, as the Group had no estimated assessable profits arising in or derived from Hong Kong during the nine months ended 31 December 2005 (nine months ended 31 December 2004: Nil).

No provision for overseas (the PRC, Singapore and Australia) income taxes has been made as the Group operating in these countries were operating at a loss during the nine months ended 31 December 2005 (nine months ended 31 December 2004: Nil).

No provision for deferred taxation has been made as the Group did not have any significant unprovided deferred tax in respect of the periods.

## 4. Loss per share

The calculation of the basic loss per share is based on the unaudited net loss attributable to equity holders of the parent for the three months period and nine months period ended 31 December 2005 of approximately HK\$403,000 and HK\$1,612,000 (2004: HK\$679,000 and HK\$3,072,000) and on the weighted average number of approximately 472,811,363 shares and 463,468,706 shares in issue for the three months period and nine months period ended 31 December 2005 (2004: 442,042,133 shares and 441,017,354 shares).

No diluted loss per share is presented as there was no dilutive potential ordinary share during the periods.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2005 (2004: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Financial Performance**

The Group made a net loss of HK\$403,000 for the Three-Month Period ended 31 December 2005, declined by 40.6% from HK\$679,000 recorded in the corresponding period last year. For the Nine-Month Period ended, net loss reduced by approximately HK\$1,460,000 or 47.5% from HK\$3,072,000 recorded in the corresponding period last year. The reduction in net loss is a result of the Group's focus on higher margin services. The gross profit ratio has improved from approximately 33.5% to 43.3% when compared with the corresponding period in 2004.

The Group's unaudited consolidated turnover for the Three-Month Period ended 31 December 2005 amounted to approximately HK\$5,502,000 representing an increase of 1% as compared to HK\$5,441,000 that was recorded in the corresponding period of the previous financial period. The Group's unaudited consolidated turnover for the Nine-Month Period in 2005 amounted to approximately HK\$13,877,000 representing a decrease of 13.5% as compared to HK\$16,043,000 that was recorded in the corresponding period of the previous financial period.

## Business Review

For the first nine months of the Group's financial year, our value added mobile business has been in an industry transition. On one hand, the Group's mobile data business in 2G recorded a steady decline. On the other hand, more operators in the region are rolling out their 3G networks and the products that the Group represents are playing a key strategic role in this development. As such, the Group recorded a slight decline in revenue within this period but an improvement on the net loss as were seen on the third quarter of the year.

The Group anticipates that in year 2006, more developments in the 3G segment are heating up in other parts of the Asia Pacific region, e.g. PRC, Taiwan, Singapore, Malaysia, Australia and New Zealand. It is expected that more operators will commercially launch their 3G services by the end of 2006.

The mobile entertainment segment has reached a point of richer and user-friendlier contents thus delivering real value for the subscribers. The Group has confirmed several strategic alliances with content providers in order to be able to fulfil the requirements in the markets where it operates. These partnerships include content providers, well known brands as well as mobile marketing partners.

The Group continues to have its strategic focus in further developing its 3G service offering not only in Hong Kong but also other leading markets such as PRC, Taiwan, Singapore, Malaysia, Australia and New Zealand. The Group positions itself as the leader and the most innovative mobile service provider in the region. The 3G services are not limited into video on demand services, and the group is now deploying in video broadcasting, interactive video gaming services and Game on Demand services with operators. 3G subscribers are proven to be high-end customers, who have the highest Average Revenue Per User (ARPU) level and heavy users of the services provided by the Group. Due to the competitive market, more operators are considering to outsource their existing products and services to third parties. The Group has benefited by this trend and has won several outsourcing projects from operators in the past.



By planning to be a leader in 3G services provisioning, the Group continues to strengthen its core business in 2.5G but reduces its dependence in 2G. The Group has established an office in Australia during this Quarter and further strengthened our position in Australia and New Zealand. The Group continues to improve its service offerings by launching several new services with our key accounts. The Group has very strong position especially in the Sport & Entertainment Services for mobile users across the region through key partnerships with the leading global news agencies.

### **Prospects**

During the latter part of the year 2005, the Group has been launching various i-mode services in Australia, Singapore and Taiwan. The Group will also start providing the leading operators in Hong Kong, Singapore, Malaysia and Australia with the quality sport data services through various platforms, i.e. SMS, WAP, MMS, JAVA. These sport data services include the English Premier League as well as all the other major soccer leagues from Europe.

For Australia, Hong Kong, Singapore and Taiwan markets, the Group believes 3G will become the mainstream services in the near future and the Group will develop applications and create more services with the 3G operators to bring 3G technologies to the business and the consumer markets. The Group brings to the telecom operators with a broad frontier of new businesses and entertainment services based on our extensive experience in mobile data services provisioning since 1999.

The Group has recently won the awards of the Deloitte Technology Fast 50 China and Deloitte Technology Fast 500 Asia Pacific. The awards were a ranking of the top 50 fast growth technology companies in China and the top 500 fast growth technology companies in Asia Pacific. The ranking is designed to provide a global platform for measuring, recognizing and analysing growth. Companies are ranked according to average revenue growth rates over the past three years. MTel is ranked 28 in Deloitte Technology Fast 50 China and ranked 133 in Deloitte Technology Fast 500 Asia Pacific.

One of the most interesting cases for the coming months for the Group is the launch of the world's leading internet auction site's mobile version throughout the Asia market. This is one of the best examples on how the Group is able to position itself as an enabler and service provider in highly competitive market place. With this successful reference, the Group shall focus with more strategic partnership deals for the Asia Pacific region.

Australia, Hong Kong, Taiwan, Singapore, Malaysia and PRC continue to be the Group's most important markets when correspond to the growth potential and existing business relationships. The Group continues to work with operators in outsourcing projects in order to maintain steady revenue on a recurrent basis. Although the manpower cost is relatively high in Hong Kong, the Group benefits from further outsource lower requirement projects to its associate company in the PRC.

The Group is also scaling its business to serve the various brands to mobilize their content and brands from more traditional media platforms. The Group has recently won a major outsourcing deal in Australia, where Australian's leading operator is outsourcing the whole Java game operation to be handled by MTel's subsidiary company Mobilemode. This service was launched in September and will continue driving revenues in our outsourcing services to the Group.

At present, the Group covers a total of almost 45 telecom operators and portals in 13 markets in the Asia Pacific region. This number is expected to increase steadily into the regions such as Korea, Indonesia, the Philippines and Thailand. The scale in terms of contents' quantity and quality remains the Group's strongest differentiation point from our main competitors in the region.

## **Research and Development**

### **1. *Mobile video broadcasting***

The group has deployed a live video streaming system. This system operates daily and continuously (7 x 24). The system further interconnects with local operators and provides live mobile video broadcast services. There is a new subscription model with exciting end user experience and further compliments with traditional VOD services.

### **2. *Video IVR***

Video IVR is a new fancy mobile user interface for triggering mobile video based services instead using comparatively complex traditional mobile browser with XHTML portal or Java based application. The group has begun to develop a unique Video IVR application interconnecting with 3G operator's Video Gateway (ViG) with Multipoint Conferencing Unit (MCU).

## **Sales and Marketing**

The Group has generated most of its revenue from its recurring business with telecommunication operators over the past nine months. The Group has expanded its business into 3G services with Hutchison Telecom and other video services in 2.5G and 2.75G networks. In addition, the Group is now deploying more value-added services with operators' sales channels in Australia, New Zealand, Singapore, Thailand and Taiwan. The Group's sales network now covers 13 markets across the South East Asian region with almost 45 telecommunication operators. In Hong Kong and Taiwan, the Group operates with all the local telecommunication players. From the products' point of view, the Group has maintained its focus on developing completely new and user-friendly services and streamlined its distribution channel to deliver third party content even further to maximize revenues and maximize the potential of the Group's service delivery engine that is connected to the operator infrastructure.

The Group has successfully launched more than 100 multimedia services with various mobile operators in the region. The Group further extended applications into two areas: (1) deploying the interactive features on our Mobilesurf platform; and (2) providing an user-friendly interface of connecting with a variety of branded content that centralizing its Mobilesurf platform as a major hub between network operators and content providers across Asia Pacific region.

The Group plans to deploy more JAVA applications in data streaming with a variety of content, e.g. Soccer Monitoring applications for 2.5G & 3G and co-operated with various handset manufacturers. Without a single click, all LIVE soccer information will be real time pushed on the mobile phone via streaming technology. In addition, the Group plans to explore more opportunities in mobile broadcasting channel that will help operators to stimulate the usage of video airtime and user driven video advertisement.

The Group is also focusing in to the various carefully selected customer segments in its markets. These segments include for the youth community as well as sport fans community. The Group has developed tailor made products and services to such target segments and is rolling them out according to the roadmap agree with local operators. Product segment thinking enables the Group to roll out its services across the countries with high pace and healthy margins.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES (THE "SHARES"), DEBENTURES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2005, the interests and short positions of the Directors and chief executives of the Company in the Shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in Shares — interests in the Shares

Name of Directors	Capacity	Number of Shares held	Approximately percentage of issued share capital
Dr. Chan Chung	(Note)	176,169,861	37.3%
Mr. Chan Wai Kwong, Peter	Beneficial owner	4,064,036	0.9%
		<u>180,233,897</u>	<u>38.2%</u>

*Note:* By virtue of the SFO, Dr. Chan Chung is deemed to be interested in the 176,169,861 Shares held by Silicon Asia Limited ("Silicon"), a private company beneficially wholly owned by him.

## Long positions in underlying Shares of equity derivatives — interest in option of the Company

Name of Directors	Capacity	Date of grant	Number of underlying Shares	Approximate percentage of issued share capital	Option Period	Consideration	Exercise
						for the grant of the option HK\$	price per share HK\$
Dr. Chan Chung (Note)	Beneficial owner	27 March 2003	300,000	0.063%	9 May 2003 — 8 May 2013	1.00	0.103
Mr. Chan Wai Kwong, Peter (Note)	Beneficial owner	27 March 2003	100,000	0.021%	9 May 2003 — 8 May 2013	1.00	0.103
			<u>400,000</u>	<u>0.084%</u>			

*Note:* Share options to Dr. Chan Chung and Mr. Chan Wai Kwong, Peter were granted under the Pre-IPO share option scheme which was approved by the shareholders of the Company on 27 March 2003 (the “Pre-IPO Share Option Scheme”). All of the above share options are physically settled equity derivatives.

Save as disclosed above, as at the date of this report, none of the Directors and chief executives of the Company has or was deemed to have any interests or short positions in any Shares, debentures or underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2005, so far as is known to, or can be ascertained after reasonable enquiry by the Directors or chief executives of the Company, the persons who have, directly or indirectly, interests or had 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, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

### Long positions in Shares — interest in the Shares

Name of shareholder	Capacity	Number of Shares held	Approximate percentage of the issued share capital
Silicon	Beneficial owner	176,169,861	37.3%
Dr. Chan Chung	(Note 1)	176,169,861	37.3%
Vodatel Information Limited	Beneficial owner	94,573,696	20.0%
Vodatel Networks Holdings Limited ("Vodatel")	(Note 2)	94,573,696	20.0%
Go Capital Limited	Beneficial owner	31,902,233	6.7%
Culturecom Holdings Limited ("Culturecom")	(Note 3)	31,902,233	6.7%
OUB.com Pte Ltd	Beneficial owner	27,295,584	5.8%
United Overseas Bank Limited ("UOB")	(Note 4)	27,295,584	5.8%
Lake Haven Limited	Beneficial owner	21,881,144	4.6%
Hutchison Whampoa Limited ("Hutchison Whampoa")	(Note 5)	21,881,144	4.6%
			<hr/> 74.4% <hr/>

*Notes:*

1. Silicon, a company incorporated in the British Virgin Islands, is an investment holding company. Silicon is directly wholly owned by Dr. Chan Chung. Dr. Chan Chung is deemed, by virtue of the SFO, to be interested in the same 176,169,861 Shares held by Silicon.
2. Vodatel is deemed, by virtue of the SFO, to be interested in the 94,573,696 Shares held by Vodatel Information Limited as Vodatel Information Limited is a direct wholly-owned subsidiary of VDT Mobile Holdings Limited which is a direct wholly-owned subsidiary of Vodatel Holdings Limited, a direct wholly-owned subsidiary of Vodatel. Vodatel is a company incorporated in Bermuda whose shares are listed on GEM (Stock code 8033). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Vodatel or in accordance with whose directions or instructions Vodatel or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Vodatel is interested under the SFO will be deemed to be interested in the 94,573,696 Shares which Vodatel is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Vodatel can be found in the information published by Vodatel from time to time and from the GEM website at [www.hkgem.com](http://www.hkgem.com). According to the latest quarterly report of Vodatel, as at 30 September 2005, Mr. Jose Manuel dos Santos and LRL were both interested or deemed to be interested in more than one-third of the then issued share capital of Vodatel.
3. Culturecom is deemed, by virtue of SFO, to be interested in the 31,902,233 Shares held by Go Capital Limited as Go Capital Limited is a direct wholly-owned subsidiary of Culturecom Investments Limited which is a direct wholly-owned subsidiary of Culturecom Holdings (BVI) Limited, a direct wholly-owned subsidiary of Culturecom. Culturecom is a company incorporated in Bermuda whose shares are listed on the Main Board (Stock code 343). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Culturecom or in accordance with whose directions or instructions Culturecom or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Culturecom is interested under the SFO will be deemed to be interested in the 31,902,233 Shares which Culturecom is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Culturecom can be found in the information published by Culturecom from time to time and from the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk). According to the latest interim report of Culturecom, as at 30 September 2005, no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.



4. UOB is deemed, by virtue of the SFO, to be interested in the 27,295,584 Shares held by OUB.com Pte Ltd as OUB.com Pte Ltd is a direct wholly-owned subsidiary of UOB. UOB is a company incorporated in Singapore, the shares of which are listed on Singapore Stock Exchange Securities Trading Limited. Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of UOB or in accordance with whose directions or instructions UOB or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which UOB is interested under the SFO will be deemed to be interested in the 27,295,584 Shares which UOB will be deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in UOB can be found in the information published by UOB from time to time and from the website of Singapore Stock Exchange Securities Trading Limited at [www.sgx.com](http://www.sgx.com). According to the latest annual report of UOB, as at 31 December 2004, no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.
5. Hutchison Whampoa is deemed, by virtue of the SFO, to be interested in the 21,881,144 Shares held by Lake Haven Limited as Lake Haven Limited is an indirect wholly-owned subsidiary of Hutchison Whampoa. Hutchison Whampoa is a company incorporated in Hong Kong whose shares are listed on the Main Board (Stock code 13). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Hutchison Whampoa or in accordance with whose directions or instructions Hutchison Whampoa or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Hutchison Whampoa is interested under the SFO will be deemed to be interested in the 21,881,144 Shares which Hutchison Whampoa will be deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Hutchison Whampoa can be found in the information published by Hutchison Whampoa from time to time and from the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk).

**Long positions in underlying Shares of equity derivatives — interests in convertible notes of the Company (Note 1)**

Name of shareholders	Capacity	Amount of	Number of	Approximate
		convertible notes of the Company issued		percentage of issued share capital
			Shares (Note 4)	
Vodatel Information Limited	Beneficial owner	HK\$800,000	10,256,410	2.2%
Vodatel	(Note 2)	HK\$800,000	10,256,410	2.2%
Go Capital Limited	Beneficial owner	HK\$1,800,000	23,076,923	4.9%
Culturecom	(Note 3)	HK\$1,800,000	23,076,923	4.9%
				<u>7.1%</u>

*Notes:*

- These convertible notes were issued pursuant to the subscription agreement dated 28 March 2002 entered into between the Company and Universal Line Venture Limited, Vodatel Information Limited, Go Capital Limited and OUB.com Pte Ltd as amended by a supplemental agreement dated 27 January 2003. Convertible notes of the Company amounted to HK\$1,600,000 originally issued to Universal Line Venture Limited were disposed of to Vodatel Information Limited on 14 April 2004. 30,769,230 ordinary shares were issued to Vodatel Information Limited as a result of conversion of HK\$2,400,000 convertible notes at HK\$0.078 each on 9 May 2005 and 8 August 2005.
- Vodatel is deemed, by virtue of the SFO, to be interested in the convertible notes held by Vodatel Information Limited as Vodatel Information Limited is a direct wholly-owned subsidiary of VDT Mobile Holdings Limited which is a direct wholly-owned subsidiary of Vodatel Holdings Limited, a direct wholly-owned subsidiary of Vodatel. Vodatel is a company incorporated in Bermuda whose shares are listed on GEM (Stock code 8033). Those persons

or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Vodatel or in accordance with whose directions or instructions Vodatel or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Vodatel is interested under the SFO will be deemed to be interested in the convertible notes which Vodatel is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Vodatel can be found in the information published by Vodatel from time to time and from the GEM website at [www.hkgem.com](http://www.hkgem.com). According to the latest quarterly report of Vodatel, as at 30 September 2005, Mr. Jose Manuel dos Santos and LRL were both interested or deemed to be interested in more than one-third of the then issued share capital of Vodatel.

3. Culturecom is deemed, by virtue of SFO, to be interested in the convertible notes held by Go Capital Limited as Go Capital Limited is a direct wholly-owned subsidiary of Culturecom Investments Limited which is a direct wholly-owned subsidiary of Culturecom Holdings (BVI) Limited, a direct wholly-owned subsidiary of Culturecom. Culturecom is a company incorporated in Bermuda whose shares are listed on the Main Board (Stock code 343). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Culturecom or in accordance with whose directions or instructions Culturecom or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Culturecom is interested under the SFO will be deemed to be interested in the convertible notes which Culturecom is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Culturecom can be found in the information published by Culturecom from time to time and from the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk). According to the latest interim report of Culturecom, as at 30 September 2005, no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.
4. This assumes full conversion of the convertible notes at HK\$0.078 per Share based on the total number of 472,811,363 Shares in issue as at the date of this report. The conversion price of the convertible notes may change from time to time.

## SHARE OPTIONS RULES

The Company adopted a share option scheme (the “Share Option Scheme”) and the pre-IPO share option scheme (the “Pre-IPO Share Option Scheme”) on 27 March 2003. Details of the share options are set out below.

Pursuant to the Pre-IPO Share Option Scheme, certain Directors and participants have been granted options to subscribe for shares. Details of the share options granted under the Pre-IPO Share Option scheme outstanding as at 31 December 2005 are set out as below:

Name	Date of grant	Number of Share Options					Approximate percentage of issued share capital	Option Period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
		Out-standing as at 1 April 2005	Granted during the period under review	Exercised during the period under review	Lapsed during the period under review	Out-standing as at 31 December 2005				
Executive Directors										
Dr. Chan Chung	27 March 2003	300,000	—	—	—	300,000	0.063%	9 May 2003 — 8 May 2013	1.00	0.103
Mr. Chan Wai Kwong, Peter	27 March 2003	100,000	—	—	—	100,000	0.021%	9 May 2003 — 8 May 2013	1.00	0.103
Other Participants										
Employees in aggregate (Note)	27 March 2003	1,830,000	—	—	—	1,830,000	0.387%	9 May 2003 — 8 May 2013	1.00	0.103
Business Consultant										
Mr. Young Antony, Michael	27 March 2003	300,000	—	—	—	300,000	0.063%	9 May 2003 — 8 May 2013	1.00	0.114
		2,530,000	—	—	—	2,530,000	0.534%			

Note: Employees working under employment contracts that were regarded as “continuous contracts” for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).

Save as disclosed above, no options pursuant to the Pre-IPO Scheme have been exercised and cancelled during the period under review.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares since the date of listing.

## SPONSOR'S INTEREST

As at 31 December 2005, neither Kingston Corporate Finance Limited nor its directors, employees or its respective associates had any interest in the share capital of the Company or its subsidiaries, including options or rights to subscribe for such Shares.

## **DIRECTORS' INTEREST IN COMPETING BUSINESS**

During the period under review, none of the Directors or the management shareholders or substantial shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

## **BOARD PRACTICES AND PROCEDURES**

Throughout the period under review, the Company was in compliance with the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

## **AUDIT COMMITTEE**

As required by Rules 5.28 to 5.33 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. Its principal duties are to review and supervise the Group's financial reporting process and internal control systems. The Group's unaudited results for the nine months ended 31 December 2005 have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

As at the date of this report, the Board comprises of executive directors namely Dr. Chan Chung (Chairman) and Mr. Chan Wai Kwong, Peter; non-executive directors namely Mr. Goh Yu Min; and independent non-executive directors namely Mr. Jeffery Matthew Bistrong, Mr. Charles George St. John Reed and Mr. Ko Tak Fai, Desmond.

By Order of the Board  
**Chan Chung**  
*Chairman*

Hong Kong, 10 February 2006