Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock code : 8266)

annual report
2007

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 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 Stock 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.

The Stock Exchange of Hong Kong Limited 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.

The annual report, for which 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 the GEM of the Stock Exchange 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: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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.

Contents

Corporate Information

EXECUTIVE DIRECTORS

Dr. Chan Chung *(Chairman)*

Mr. Chan Wai Kwong, Peter

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jeffery Matthew Bistrong

Mr. Chu Chin Tai, Eric

Mr. Chen Kwok Wang, Kester

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 3401, China Resources Building
26 Harbour Road
Wan Chai
Hong Kong

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Fok Chi Tak, Eric, *CPA, ACA, ACCA, ACS, ACIS*

COMPLIANCE OFFICER

Mr. Chan Wai Kwong, Peter

AUDIT COMMITTEE

Mr. Jeffery Matthew Bistrong

Mr. Chu Chin Tai, Eric

Mr. Chen Kwok Wang, Kester

AUTHORISED REPRESENTATIVES

Dr. Chan Chung

Mr. Chan Wai Kwong, Peter

AUDITORS

Ting Ho Kwan & Chan
Certified Public Accountants
9th Floor, Tung Ning Building
249-253 Des Voeux Road Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Room 1806-1807, 18th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Standard Chartered Bank
23rd Floor, Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

WEBSITE

www.mtelnet.com

STOCK CODE

8266

Chairman's Statement

Operating results

I am pleased to report that Mobile Telecom Network (Holdings) Limited has returned to profitability for the financial year 2006/2007. Turnover for the year ended 31 March 2007 was HK$21,717,000 representing a slight HK$735,000 or 3.5% increase as compared with the financial year 2005/2006. The turnover increase was relatively smaller due to the Group's sale of its subsidiary company Mobilemode in August 2006. The margin in gross profit for the year has also slightly declined by 1.8% and profit for the year attributable to the equity holders of the Group was HK$7,849,000, much improved over the financial year 2005/2006 with net loss of HK$1,322,000. Basic earnings per share were 1.66 cents for the year ended 31 March 2007 compared to basic loss per share of 0.28 cents for the corresponding period in the previous financial year. The Directors do not recommend the payment of a final dividend.

Overview

As a pioneer in the Asian mobile data market, the Group recognizes the importance and the potential of mobile entertainment but also its risk as a young industry. The Group's main focus is coordinating the rights to distribute relevant content via the region's mobile operators' networks. The Group connects content and services through its' own patented GloDan distribution network. In this fiscal year, the Group has completed the disposal of a subsidiary company Mobilemode Limited to further unify the Group's content and service distributions. Previously, there were some confusion by the network operators as to the territorial coverage of the Group and Mobilemode Limited.

By capturing the financial gain on the disposal of Mobilemode Limited, the Group is in a much stronger position to expand into the PRC market. The Group has cooperated with the biggest operator, the China Mobile Communications Corporation in China, providing various services first in the Guangdong province and working comprehensively with China Mobile (Guangdong) in areas include brand promotion, value added services provision, etc. In the passed year we had carried out the "M-Zone" brand promotion cooperation, EDGE video-on-demand trial promotion, portal consultation services cooperation and won a 3-year exclusive contract on "M-Zone" brand promotion.

In addition, the Group is pleased to announce that MTel China has signed a significant exclusive contract with China Mobile (Guangdong), continuing on the promotion and operation of China Mobile (Guangdong)'s M-Zone brand for 3 more years. The Group shall act as the enabler to develop all various SMS, MMS, WAP, Ringback-tone, Interactive Voice Recognition, and EDGE mobile values added services to all China Mobile (Guangdong) users. MTel China has also won the bid for China Mobile (Guangdong)'s Portal Design contract where MTel China will continue to cooperate closely with China Mobile (Guangdong) in both the Internet and mobile

Chairman's Statement

services. In particular, for our Products Initiation and Operations Consulting Service with China Mobile (Guangdong), we provide key Products Life Cycles Process Evaluation and Diagnostic Improvement services. MTel China also undertakes the planning and design work of China Mobile (Guangdong)'s special projects on WAP, SMS and Self-service Terminal Electronic Channels.

The Group was ranked 38th on the 2006 Top 100 of the most influence and innovation enterprises award in China. The ranking is recognizing the Group's innovation and creativeness in telecommunication technology development. In addition, the Group has participated in the event activities and contributed substantially to the creation of M-Zone that won the 2nd position of the 2006 Top 10 marketing events in China award. This award is to recognize the success of the event activities "M-Zone" which organized by China Mobile (Guangdong).

Despite the intense competition in the other Asia market, the Group has also been able to offer a full range of multi-media services and business know-how to the operators throughout Southeast Asia. Under our strong portfolios and dominated position in 3G service provisioning in Hong Kong and Macao, the Group has successfully extended our services in the past year to Sri Lanka, Vietnam and Indonesia.

In the Hong Kong market, it is noteworthy that Hong Kong CSL and New World Mobility as well as other leading operators in the region have outsourced its entire Java game operation to the Group. At present, the Group has entered into major partnerships with over 60 games developers and obtaining the rights to distribute their games on the region's mobile networks. The Group further assists our game partners to enter the other Asian markets through its' wide GloDan distribution network. It is vital for the Group to aggressively expand its' content provider pool in order to maintain its competitive edge in content offering. In particular, its value added mobile business in Hong Kong and China has grown with even richer line-ups of branded content including the winning of several major projects from the leading operators.

The Group is also scaling its game hosting business to serve the various channels & exploring new markets such as China, Indonesia, Vietnam, Sir Lanka, etc. In this regard, more operators consider outsourcing their existing data products and services to independent third parties. The Group has benefited by this trend and has won several outsourcing projects from operators in this region. For example, Macao CTM, the largest operator in Macao, has appointed the Group to operate its entire mobile gaming business including JAVA games and online multi-players gaming business. Others including Hutchison 3HK also recognizes the Group of its experience and expertise in gaming business and considers the Group as the key player in this arena to assist 3HK to operate the games and numerous other value added business in both 2G and 3G markets. In addition, the Group has cooperated with ClubiT, a listed company in Japan for the provision of game on demands services in Hong Kong.

Chairman's Statement

On December 2006, The Group has formed a partnership with Warner Bros Online on wireless distribution of its rich content pool that brings iconic Warner Bros. Mobile to 3G and 2G mobile users in Hong Kong. Thru our Goldan network, Warner Bros Mobile has recently been made available to Hong Kong subscribers of all network operators and the services are also available in various forms, including graphic images, audio and video contents, and games. The Group is strongly poised to provide consumers with innovative, new product that targets the teen and young adult market, offering a diversified range of mobile content products, personalized and located to the market.

The sport segment is still dominating the premium information service revenue for the premium content market. The Group collaborates with the National Basketball Association, to launch the 1st NBA Mobile in Hong Kong, a new wireless service offering fans access to NBA content via mobile phone with Hutchison 3HK. It marks the first time official NBA content on mobile phones to be available to both 3G and 2G subscribers in Hong Kong. This first of its kind service has attracted Adidas Hong Kong to become a sponsor of NBA Mobile with 3HK and offers additional premiums to stimulate the users' excitement.

The mobile entertainment segment has reached a point of richer and user-friendlier contents thus delivering more value for the subscribers. In this period, the Group has signed up Fortune Star, a subsidiary of Star TV to deliver more branded content to operators. By planning to be a leader in 3G services provisioning in the advance mobile markets, the Group continues to strengthen its core business but reduces its dependence in the lower end services such as ring-tones and SMS. However, the Group is deploying such existing 2G services into the new market such as Indonesia, Vietnam, Sir Lanka, etc. in order to fully utilize the past development & services.

Appreciation

I would like to thank all directors and employees for their hard work and dedicated services. I would also like to thank our shareholders, business partners and customers for their continuing support, which has helped the Group well positioned for further growth.

By order of the Board
Chan Chung
Chairman

Hong Kong, 6 June 2007

Management Discussion and Analysis

Business Review

Financial Performance

The Group turnover for the year ended 31 March 2007 increased by 3.5% over the previous financial year to HK$21,717,000. Profit attributable to shareholders of the Group was HK$7,849,000, increased by HK$9,171,000 over the previous financial year primarily as a result of the gain on disposal of a subsidiary Mobilemode. The market of mobile entertainment business is become more competitive which resulting a slightly decrease of the gross margin from 41.6% to 39.8%. Basic earnings per share were 1.66 cents compared to basic loss per share was 0.28 cents in the financial year 2005/2006.

Segmental Information

Among the various markets in the Asia Pacific region, Hong Kong/Macao and Australia were the main revenue contributors to the Group, accounting for 59.6% and 32.7% (2006 Hong Kong/Macau: 40.2% and Australia: 39.4%) respectively of the Group's turnover, while Singapore and Taiwan generated approximately 4.7% and 2.6% respectively. (2006 Singapore: 8.1% and Taiwan: 6.0%)

New Products and Services

The Group aims to become Asia Pacific's premier mobile information and entertainment provider to strengthen its competitive position. The Group is seeking to maximize its service range, which targets different levels of preference from mobile subscribers. In order to expand its service range, the Group rolled out various services in different categories with all well-brands international companies. These categories included Sports, Fortune, Entertainment, Movie, Lifestyle, Cartoon, etc.

In April 2007, Hutchison 3 Indonesia has launched the 3G services in Indonesia market and the Group has signed contract with 3 Indonesia to launch its mobile valued added services and our 1st footprint in Indonesia. Our services include gaming, downloadable content, sports, entertainment content and various other services.

In January 2007, HT Mobile, a new Vietnam Mobile Operator formed by Hutchison Telecom and Hanoi Telecom, appoints the Group to be the 1st partner to operate their value added services business based on the CDMA 2000 network. The value added services includes graphic images, ringtones, games and sports contents.

In December 2006, National Basketball Association and the Group together launched the 1st NBA Mobile, a new wireless service offering basketball fans in Hong Kong full access to NBA content via mobile phone with Hutchison 3HK. It marks the first time official NBA content on mobile phones are available to 3G and 2G subscribers in Hong Kong.

Management Discussion and Analysis

In December 2006 — The Group has formed partnership with Warner Bros Online a wireless distribution deal that bring iconic Warner Bros. Mobile to all Hong Kong mobile 3G and 2G users. The Warner Bros content has been available in various categories, including games, graphic images, audio and video contents.

In October 2006, Macao CTM has outsourced their entire JAVA Games business to the Group. The Group becomes the master content aggregator to operate all games distribution arrangement, marketing promotion, and on-going supports & maintenances in Macao.

In September 2006, Hong Kong CSL Limited and New World Mobility has appointed the Group to be the master content provider to operate their entire Java (including Symbian) gaming business of CSL 1010 & One2Free and New World Mobility.

Research and Development

GloDan — Caching Network

The group has expanded its caching capabilities to interconnect the group's mobile services with major operators network. The performance of services quality has improved for multiple operators' access of the Group's content services. It reduces the loading of Database query, handset dependent attribute and content generation process time. The overall end user experience has been significance improved with a quicker response time per query.

Sales and Marketing Activities

In Hong Kong and Taiwan, the Group operates with all the local network operators and performs its sales and marketing via the Hong Kong office. The Group has expanded its focus in the PRC and worked with China Mobile (Guangdong) via MTel China in Guangzhou. We plan to expand our PRC footprints by acquiring and/or forming strategic partnerships with relevant companies in China. Such local companies with local know-how will allow us to develop completely new and user-friendly services for the PRC market. We will streamline our distribution channel to deliver third party content even further to the growing PRC market. This move will let us further maximize our revenues and the potential of our service delivery engine that has been connected to the operators' infrastructure in Hong Kong and Macao for many years. To complete our connectivity with the major PRC provinces enable us to become the premier 3G services enabler in the PRC.

Management Discussion and Analysis

The Group has also generated more and more of its revenue from its recurring and outsourcing business with telecommunication operators over the past year. The Group has expanded its business into download and streaming multimedia services including other video services in 2.5G, 2.75G and 3G networks. In addition, the Group is now deploying more value-added services with other sales channels in Malaysia, Singapore, Taiwan and Vietnam.

The Group has been extending more proprietary applications into the interactive features on its MobileSurf platform. This extension allows the centralization of its GloDan network in Hong Kong as a major hub between network operators and content providers across Asia Pacific region.

The Group has recently embarked more significantly on mobile marketing in conjunction with our existing value-added services for 2.5G & 3G. The marketing and promotional messages are real time pushed onto the mobile phone via streaming video and/or MMS services. In addition, the Group has operated a mobile broadcasting channel that will help operators to stimulate the usage of video airtime and user driven video advertisement.

The Group is also focusing on the various carefully selected customer segments in its markets. These segments include 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 agreed with local operators. Such product segment thinking enables the Group to roll out its services across the countries with high pace and healthy margins.

Prospect

The Group will continue to provide leading operators in Southeast Asia and in particular the greater China region with the quality and advance data services through various platforms, i.e. SMS, WAP, MMS, JAVA and 3G. It is widely expected that China will issue one or more 3G licenses in the second half of 2007. The Group plan to focus on expanding its PRC position in the 3G service provisioning including opening more offices in various provinces and expand content aggregation including IP rights management for the Group's partners. For some of the new market such as Vietnam and Indonesia, the Group will plan to act as a master content aggregator on behalf with the local operators in order to maximize the revenue and minimize the resources allocation.

Management Discussion and Analysis

For the more advance 3G markets such as Australia, Hong Kong, Malaysia, Singapore and Taiwan, the Group believes diversification of multi-media services to attract customers from different content types will be the focus of the near future. The Group continues to operate its 3G services in Malaysia and Singapore and plan to expand our offerings to more operators there. 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's newly developed services include video messaging with the subscribers easily downloading clips from films, music, sports and information services channels. In addition, more other content services include Entertainment, Lifestyle & Leisure, Dining, Movie, Cartoon, Games, Fortune Telling, and etc. will be available as well. In the advance services, the Group shall deploy more Interactive gaming services and video broadcasting services such as mobile TV in order to enhance the user behaviours on the mobile phone. The Group has recently signed up with more content partners including established brands and leading gaming companies. Our extensive experience in offering different types of mobile services totalling several hundreds further positions the Group to capture more business opportunities as they quickly emerge in the PRC market.

For the existing markets, China, Hong Kong, Singapore, Taiwan, Malaysia and Australia continue to be the Group's major revenue markets. The Group shall continue to expand its outsourcing projects with operators 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. In addition, the Group believes its business model can be extended into other new market such as Vietnam, Indonesia or any other new potential markets for business cooperation.

In future business development in China, the Group continues to intensify its cooperation with the major operator there. In the anticipation of granting the 3G licenses to the major operators there, the Group with its edge and experiences in 3G services will provide domestic and international content that are well suited to the Chinese culture as well as services to meet customers' demands. When 3G arrives in China, the Group plans to at the same time deepen the brand promotion cooperation with China Mobile (Guangdong) and allowing more customers to experience the 3G services.

Management Discussion and Analysis

The Group is focusing its business to serve the various brands to mobilize their content and brands from more traditional media platforms. The Group is cooperating with handset manufacturers for efficient service provisioning. The efforts include pre-load and prominently feature and the Group's services with optimized handsets, giving consumers quick and easy access to their Internet content and services. The devices will be available to consumers in Hong Kong and afterward will be extending into a number of markets across Asia.

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

Liquidity and Financial Resources

The disposal of Mobilemode in August 2006 improved the group financial position. As at 31 March 2007, the Group had net current assets of approximately HK$19,493,000 (2006: HK$12,642,000), of which approximately HK$20,072,000 (2006: HK$14,068,000) were bank balances and cash. The Group's other current assets recorded at 31 March 2007 mainly comprised approximately HK$2,861,000 in trade receivables, other receivables, deposit and prepayment, showing a decrease of 52.5% when compared with previous financial year. Current liabilities of the Group decreased by 53.8% and amounted to HK$3,440,000 as at 31 March 2007.

The Group generally financed its operations with its internally generated cash flows. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

Gearing Ratio

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.13 as at 31 March 2007 (2006: 0.42). As a result of disposal of Mobilemode, total liabilities decreased by HK$4,012,000 as well as the equity base of the Group improved by HK$7,185,000.

Foreign Exchange Exposure

The income and expenditure of the Group are denominated in Hong Kong dollars, New Taiwan dollars, Australian dollars, and Renminbi, the exchange rate risks of the Group were considered to be minimal. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

Management Discussion and Analysis

Capital Structure

There was no change in the capital structure of the Group as at 31 March 2007 as compared with that as at 31 March 2006.

Material Acquisition and Disposal

The Group disposed all its shareholding in Mobilemode Limited in August 2006, representing 60% of the issued share capital of Mobilemode Limited.

Save as disclosed above, the Group had no material acquisitions or disposals during the year.

Charges on the Group's Assets

As at 31 March 2007, the Group did not have any charges on the Group's assets.

Contingent Liabilities

As at 31 March 2007, the Group did not have any contingent liabilities.

Employee Information

As at 31 March 2007, the Group had a total of 14 employees in Hong Kong. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors' emoluments, amounted to approximately HK$6,274,000 for the year ended 31 March 2007 (2006: HK$6,706,000). Share options and bonuses are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group.

Biographical Details of Directors and Senior Management

Directors

Executive Directors

Dr. Chan Chung, aged 50, is a founder, an executive Director and the chairman of the Group. Dr. Chan is responsible for formulating the overall business plan and the corporate strategies of the Group. Further, Dr. Chan is a founder of Silicon Genesis Corporation, a high technology company in the US. Dr. Chan has been elected a fellow of the Institute of Electrical and Electronics Engineers in the US and graduated with a doctor degree in philosophy from the University of Iowa in 1981.

Mr. Chan Wai Kwong, Peter, aged 53, is an executive Director and compliance officer of the Group. Mr. Chan is responsible for overseeing and supervising the administration of the Group. Mr. Chan is an executive director of China Solar Energy Holdings Limited (stock code 155), a listed company in Hong Kong. Mr. Chan is also an independent non-executive director of China Golden Development Holdings Limited (stock code 162) and Shang Hua Holdings Limited (stock code 371), are listed companies in Hong Kong. Mr. Chan graduated with a bachelor of arts degree in social science from the University of Western Ontario, Canada in 1978.

Independent non-executive Directors

Mr. Jeffery Matthew Bistrong, aged 44, was appointed as an independent non-executive Director in March 2002. Mr. Bistrong is a director of Harris Williams & Co, an investment banking company. Mr. Bistrong graduated with a master degree in business administration and a master degree in art from the University of Michigan in 1988.

Mr. Chu Chin Tai, Eric aged 40, was appointed as an independent non-executive Director in March 2006. Mr. Chu was a deputy general manager of a data network and VoIP network provider and is currently the director of sales and marketing, China of Martin Professional (HK) Ltd, an intelligent lighting equipment company. Mr. Chu graduated with a bachelor degree in electrical engineering from University of California, San Diego in 1990.

Mr. Chen Kwok Wang, Kester aged 44, was appointed as an independent non-executive Director in March 2006. Mr Chen is a qualified solicitor in Hong Kong with current practice in general commercial matters. He is also a qualified accountant and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chen graduated with a master degree of business administration from the University of Hong Kong and a master degree of laws from Renmin University, Beijing.

Biographical Details of Directors and Senior Management

Senior Management

Mr. Fok Chi Tak, aged 31, is the Qualified Accountant and Company Secretary of the Group. Mr. Fok joined the Group in March 2003. Mr. Fok is responsible for managing overall accounting and financial systems and company secretarial matters. Mr. Fok received an honor degree in accounting and finance from Oxford Brookes University, United Kingdom. Mr. Fok is an associate of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants of England and Wales. Mr. Fok is also an associate of the Institute of Chartered Secretaries and Administrators and Hong Kong Institute of Chartered Secretaries. Before joining the Company, Mr. Fok worked for an international renowned accounting firm.

Mr. Wong Ming Wai, aged 31, the Vice President of business development of the Group. Mr. Wong joined the Group in November 2002. Mr. Wong is responsible for developing new business and revenue streams for the Group. Mr. Wong has over 6 years experience in business development and marketing in mobile and I.T. industries. Mr. Wong holds a Bachelor of Mathematics degree from the University of Waterloo, Ontario, Canada.

Mr. Tsang Yue Shun, aged 30, the Vice President of customer services of the Group. Mr. Tsang joined the Group since its inception in November 2000. Mr. Tsang is responsible for overseeing the network department and the sales and marketing networks of the Group. Mr. Tsang graduated with a bachelor degree in IT from City University of Hong Kong in 2001. Mr. Tsang joined the Group prior to his graduation.

Report of the Directors

The directors submit their report together with the audited reports and financial statements for the year ended 31 March 2007.

Principal Activities and Geographical Analysis of Operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 15 to the reports and financial statements. 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.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the reports and financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 36.

The directors do not recommend the payment of any dividend in respect of the year.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in note 22 to the report and financial statements.

Property, Plant and Equipment

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 14 to the report and financial statements.

Share Capital

Details of the movements in share capital of the Company are set out in note 20 to the report and financial statements.

Bank Borrowings

The Group did not have any bank borrowings during the year.

Report of the Directors

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the five financial years ended to 31 March 2007 is set out on page 94.

Purchase, Sale or Redemption of 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.

Report of the Directors

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:

(i) Pre-IPO Share options scheme

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 March 2007 are set out as below:

		Number of share options								
Name	Date of grant	Outstanding as at 1 April 2006	Transferred during the year under review	Exercised during the year under review	Lapsed during the year under review	Outstanding as at 31 March 2007	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option *HK$*	Exercise price per Share *HK$*
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	(1,045,000)	—	—	785,000	0.166%	9 May 2003 — 8 May 2013	1.00	0.103
	9 February 2007	—	1,045,000	—	—	1,045,000	0.221%	9 February 2007 — 8 February 2017	1.00	0.090
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 year under review.

Report of the Directors

Share Options Rules *(Continued)*

(ii) Share option scheme

The Company operates the Share Option Scheme for the purpose of granting options to any full-time employees, executive or officers, directors of the Company or any of the subsidiaries and any supplies, consultants agents and/or advisers who have contributed to the Company and/or of its subsidiaries as incentives and rewards for their contribution to the Company and/or its subsidiaries (the "Eligible Participants"). Details of the movement of the share options granted under the scheme during the financial year 2006/7 as below:

		Number of Share Options								
Name	Date of grant	Out-standing as at 1 April 2006	Granted during the year under review	Exercised during The year under review	Lapsed during the year under review	Out-standing as at 31 March 2007	Approxi-mate percentage of issued share capital	Option Period	Consi-deration for the grant of the option *HK$*	Exercise price per share *HK$*
Executive Directors										
Dr. Chan Chung	18 September 2006	—	4,728,113	—	—	4,728,113	1%	18 September 2006 — 17 September 2016	1.00	0.078
		—	4,728,113	—	—	4,728,113	1%			

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

Report of the Directors

Share Options Rules *(Continued)*

(ii) Share option scheme *(Continued)*

The following is a summary of the principal terms of the Share Option Scheme:

(a) Maximum number of Shares

Pursuant to the terms of the Share Option Scheme, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and Pre-IPO Share Scheme of the Company must not in aggregate exceed 44,000,000 Shares, representing 10% of the Shares in issue as at the date of commencement of dealings of the Shares on the GEM of the Stock Exchange. Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of such share options scheme(s) will not be counted for the purpose of the 10% limit.

(b) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes(s) of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period shall not exceed 1% of the Shares in issue for the time being.

(c) Price of Shares

The subscription price for a Share in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the higher of (a) the closing price of one Share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

Report of the Directors

Share Options Rules *(Continued)*

(ii) Share option scheme *(Continued)*

(d) Granting options to connected persons

Any grant of options to a Director, chief executive, management shareholder or substantial shareholder of the Company or any of their respective associates as defined in the GEM Listing Rules is required to be approved by the independent non-executive Directors (excluding an independent non-executive Director who is the grantee of the options).

If the Board proposes to grant options to a substantial shareholder (as defined in the GEM Listing Rules) of the Company or any independent non-executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue on the date of the offer; and

(ii) having an aggregate value in excess of HK$5 million, based on the closing price of the Shares at the date of each offer,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the GEM Listing Rules) of the Company shall abstain from voting, and/or such other requirements prescribed under the GEM Listing Rules from time to time. A connected person (as defined in the GEM Listing Rules) of the Company will be permitted to vote against the grant only if this intention to do so has been stated in the circular.

Details of the principal terms of the Share Option Scheme are set out in the Prospectus.

Report of the Directors

Share Options Rules *(Continued)*

(ii) Share option scheme *(Continued)*

(e) Time of exercise of option

The date of grant and acceptance of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration is received by the Company, such date must be on or before the 30th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted and accepted.

Directors

The Directors of the Company during the year and up to the date of this report were as follows:

Executive Directors

Dr. Chan Chung *(Chairman)*
Mr. Chan Wai Kwong, Peter

Non-Executive Directors

Mr. Goh Yu Min (resigned on 26 September 2006)

Independent Non-Executive Directors

Mr. Jeffery Matthew Bistrong
Mr. Chu Chin Tai, Eric
Mr. Chen Kwok Wang, Kester

In accordance with Article 87 of the Company's Articles and Association, Mr. Chan Wai Kwong and Mr. Jeffery Matthew Bistrong retires by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

Report of the Directors

Directors *(Continued)*

Emoluments of the directors and the five highest paid individuals

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 10a and 10b to the reports and financial statements, respectively.

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

Directors' Service Contracts

Each of the executive directors, Dr. Chan Chung and Mr. Chan Wai Kwong, Peter has entered into a service agreement with the Company for an initial term of two years commencing from 27 March 2003 and which will continue thereafter until terminated by three months notice in writing served by either party on the other.

Each of the independent non-executive directors, Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Eric and Mr. Chen Kwok Wang, Kester has entered into a service agreement with the Company for an initial term of two years commencing from 27 March 2003, 6 March 2006, 31 March 2006, respectively, which will continue thereafter until terminated by one month notice in writing served by either party on the other.

Save as disclosed above, none of the Directors has entered into any service contract or has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out on page 12 to 13.

Report of the Directors

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company (The "Shares")

As at 31 March 2007, 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	Approximate percentage of issued share captial
Dr. Chan Chung	*(Note)*	177,785,861	37.6%
Mr. Chan Wai Kwong, Peter	Beneficial owner	4,064,036	0.9%
		181,849,897	38.5%

Note: By virtue of the SFO, Dr. Chan Chung is deemed to be interested in the 177,785,861 Shares held by Silicon Asia Limited ("Silicon"), a private company beneficially wholly owned by him.

Report of the Directors

Directors' and Chief Executives' Interests and Short Positions in The Shares, Underlying Shares and Debentures of the Company (The "Shares") *(Continued)*

Long position 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 for the grant of the option	Exercise price per share
						HK$	*HK$*
Dr. Chan Chung *(Note)*	Beneficial owner	27 March 2003	300,000	0.063%	9 May 2003 — 8 May 2013	1.00	0.103
		18 September 2006	4,728,113	1.000%	18 September 2006 — 17 September 2016	1.00	0.078
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
			5,128,113	1.084%			

Note: Share options to Dr. Chan Chung and Mr. Chan Wai Kwong, Peter were granted under the Pre-IPO share option scheme and share option scheme which were approved by the shareholders of the Company on 27 March 2003 (the "Pre-IPO Share Option Scheme") and (the "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.

Report of the Directors

Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares of the Company

The register of Substantial Shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 March 2007, the Company had been notified of the following Substantial Shareholders' interests and short positions, being 5% or more of the issued share capital of the Company.

Long positions in Shares — interest in the Shares

Name of shareholders	Capacity	Number of shares held	Approximate percentage of the issued share capital
Silicon	Beneficial owner	177,785,861	37.6%
Dr.Chan Chung	*(Note 1)*	177,785,861	37.6%
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	27,495,584	5.8%
United Overseas Bank Limited ("UOB")	*(Note 4)*	27,495,584	5.8%
Lake Haven Limited	Beneficial owner	23,881,144	5.1%
Hutchison Whampoa Limited ("Hutchison Whampoa")	*(Note 5)*	23,881,144	5.1%
			75.2%

Report of the Directors

Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares of the Company *(Continued)*

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 177,785,861 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. According to the latest annual report of Vodatel, as at 31 December 2006, 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. According to the latest interim report of Culturecom, as at 30 September 2006, no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.

Report of the Directors

Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares of the Company *(Continued)*

Notes: *(Continued)*

4. UOB is deemed, by virtue of the SFO, to be interested in the 27,495,584 Shares held by UOB.com Pte Ltd as UOB.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 27,495,584 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. According to the latest annual report of UOB, as at 31 December 2006, 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 23,881,144 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 23,881,144 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.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Report of the Directors

Major Suppliers and Customers

The percentages of purchases and sales for the year attributable to the Group's major customers and suppliers are as follows:

Purchases	
— the largest supplier	40%
— five largest suppliers combined	74%
Sales	
— the largest customer	33%
— five largest customers combined	82%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Connected Transactions

During the year ended 31 March 2007, there were no transactions to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

Corporate Governance

A report on the principle corporate governance practice adopted by the Company is set out on pages 29 to 33 of the annual report.

Audit Committee

The Company has an audit committee which was established with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members comprising all independent non-executive directors namely Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Mr. Chen Kwok Wang. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. During the year, the audit committee has met four times to review the Company's financial reporting process. The Company's annual results for the year ended 31 March 2007 have been reviewed by the audit committee of the Company.

Report of the Directors

Directors' Interest in Competing Business

During the year 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.

Auditors

The financial statements were audited by Ting Ho Kwan & Chan who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chan Chung
Chairman
Hong Kong, 6 June 2007

Corporate Governance Report

Corporate Governance Practices

The Company is committed to achieving high standard of corporate governance practices that enhancing greater transparency and quality of disclosure as well as more effective internal control.

The Company has complied with the Code on Corporate Governance Practice (the "Code") except code provision A2.1 and A4.2, as set out in Appendix 15 of the GEM Listing Rules for the year ended 31 March 2007. The following summarizes the corporate governance practices of the Company and the explain deviations, if any, from the Code.

Directors' Securities Transactions

The Company has adopted the code of conduct regarding directors' securities transactions on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2007.

Board of Directors and Board Meeting

The Board of Directors (the "Board") of the Company is comprises five directors, including the Chairman who is an Executive Director, one additional Executive Director and three Independent Non-executive Directors. One of Independent Non-executive Director is a qualified accountant who has appropriate accounting or related financial management expertise. The Company complies at all times during the year under review with the minimum requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors and one of which should have appropriate professional qualifications or accounting or related financial management expertise. Their biographies are set out in the Biographical Details of Directors and Senior Management Section on Page 12 to 13 of the Annual Report.

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group. Key and important decisions shall be fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the notice of board meeting. Matters requiring the Board's approval include review of overall policies, corporate plan of the Company, investment plans which would involve significant risks for the Company, major organization changes, significant sales, transfers, or other dispositions of property or assets, approval of the annual report, interim report, quarterly report and approval of interim dividend and recommendation of the final dividend, other matters relating to the Company's business which in the judgment of the Executive Directors are of such significance as to merit the Board's consideration.

Corporate Governance Report

Board of Directors and Board Meeting *(Continued)*

Each of the Independent Non-executive Directors has made an annual confirmation of independent pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM listing Rules and are independent in accordance with terms of the guidelines.

Code Provision A4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Pursuant to the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the chairman of the Board and /or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. The Company is a small company with only two executive directors playing key management role. The Chairman of the Board and Executive Director, Dr. Chan Chung, is the founder and the largest shareholder of the Company, and his continuing leadership on the Board is important for the stable operation of the Company. The Management considers that there is no imminent need to amend the articles of association of the Company and concurs that the Chairman need not be subjected to retirement by rotation.

Six meetings were held during the year. The attendance record of each Director is as follows:

Executive Directors		
Dr. Chan Chung *(Chairman)*		6/6
Mr. Chan Wai Kwong, Peter		6/6
Non Executive Directors		
Mr. Goh Yu Min	(resigned on 26 September 2006)	4/4 *
Independent Non-executive Directors		
Mr. Jeffery Matthew Bistrong		1/6 **
Mr. Chu Chin Tai, Eric		6/6
Mr. Chen Kwok Wang, Kester		5/6 ***

Corporate Governance Report

Board of Directors and Board Meeting *(Continued)*

* Only four board meetings were held before the resignation of Mr. Goh Yu Min as a non-executive director.

** Mr. Jeffery Matthew Bistrong provided two notices of appointment of alternative director for appointment of Mr. Chen Kwok Wang, Kester as alternative director in two board meetings.

*** Mr. Chen Kwok Wang, Kester provided a notice of appointment of alternative director for appointment of Mr. Chan Wai Kwong, Peter as alternative director in one board meeting.

The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedure and all applicable rules and regulations are strictly and fully complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any reasonable time on reasonable notice by any Directors.

Chairman and Chief Executive Officer

The chairman is responsible for management of the Board and strategic planning of the Group, ensure that the Board works effectively and discharges its responsibilities, encourage all directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interests of the Company and the Group. The role of chief executive officer is responsible to undertake the day-to-day management of the Company's business.

Code Provision A2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. With the relatively small size of the Group, the executive directors and the senior management staff can adequately undertake all the day-to-day business decisions without the official appointment of a chief executive officer. The Board believes that the balance of power and authority is adequately ensured under the existing arrangement especially with the operations of the Board comprising one half of board members from independent non-executive directors.

Corporate Governance Report

Accountability and Audit

The Board acknowledged their responsibility for preparing the financial statements of the Group. The Directors ensured in preparing of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Auditor's Report.

Auditor's Remuneration

For the year ended 31 March 2007, approximately HK$240,000 is payable to Ting Ho Kwan & Chan CPA, auditors of the Company for audit service.

Audit Committee

The Company has an audit committee which was established with written terms of reference in compliance with the GEM Listing Rules 5.28. The audit committee has three members comprising all independent non-executive directors namely Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Mr Chen Kwok Wang. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. During the year, four meeting of the audit committee have been held with the following attendances:

Committee members:	
Mr. Jeffery Matthew Bistrong	2/4*
Mr. Chu Chin Tai, Eric	4/4
Mr. Chen Kwok Wang, Kester	4/4

* Mr. Jeffery Matthew Bistrong provided a notice of appointment of alternative director for appointment of Mr. Chen Kwok Wang, Kester as alternative director in one audit committee meeting.

Corporate Governance Report

Nomination of the Director

No Nomination Committee has been set up, and hence, the Board is responsible for considering the suitability of a candidate to act as director, and approving and termination the appointment of a director. The Board of Directors is mainly responsible for identifying suitable candidates for the Board when there is a vacancy or an additional director is considered necessary. The chairman of the Board will propose the appointment of such candidates to the Board for consideration and the Board will review the qualifications of the relevant candidates for determining the suitability of the Group on the basis of his/her qualifications, experience and background. The decision of appointing a director must be approved by the Board. Any newly appointed director by the Board shall hold office only until the next following annual general meeting of the Company and shall then by eligible for re-election at that meeting. During the year, the Company has not appointed any new Director.

Remuneration Committee

The remuneration committee of the Company was established in May 2005. It comprises the chairman and all independent non-executive directors. The remuneration committee performs its function, which is to assist the Board in the overall management of the remuneration practice of the Group to ensure that effective policies, processes and practices are implemented in respect of the incentives for the Directors and senior management. One meeting of the remuneration committee has been held during the year. All members of the remuneration committee attended the meeting.

Internal Control

The Board has overall responsibilities for maintaining a proper and effective system of internal control of the Group. The internal control system includes safeguard of assets against unauthorized use, defined management structure with specified limits of authority, ensure maintenance of proper accounting records for internal use or for publication and ensure compliance with relevant legislation and regulations.

Independent Auditor's Report

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

9th Floor, Tung Ning Building
249-253 Des Voeux Road Central
Hong Kong

香港德輔道中249–253號
東寧大廈9字樓

To the Shareholders of Mobile Telecom Network (Holdings) Limited

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements of Mobile Telecom Network (Holdings) Limited (the "Company") set out on pages 36 to 93, which comprise the consolidated and Company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with the agreed terms of the engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirement and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2007 and of its profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of Hong Kong Companies Ordinance.

TING HO KWAN & CHAN

Certified Public Accountants (Practising)

Hong Kong, 6 June 2007

Consolidated Income Statement

For The Year Ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Turnover	6	**21,717**	20,982
Other income and gains, net	6	**10,191**	1,083
Telecom operators costs		**(13,074)**	(12,244)
Employment costs		**(5,158)**	(5,847)
Research and development expenses		**(1,116)**	(859)
Depreciation of property, plant and equipment		**(94)**	(148)
Other operating expenses		**(4,078)**	(3,990)
Operating profit/(loss)	7	**8,388**	(1,023)
Finance costs	8	**(8)**	(74)
Share of profit of an associate		**105**	64
Share of loss of a jointly controlled entity		**(1)**	(4)
Profit/(loss) before taxation		**8,484**	(1,037)
Taxation	11	**(261)**	(224)
Profit/(loss) for the year		**8,223**	(1,261)
Attributable to:			
Equity holders of the Company	12	**7,849**	(1,322)
Minority interests		**374**	61
		8,223	(1,261)
Earnings/(losses) per share for profit/(loss) attributable to the equity holders of the Company during the year	13		
— basic		**1.66 cents**	(0.28) cents
— diluted		**1.62 cents**	—

The notes on pages 42 to 93 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**139**	192
Interest in an associate	16	**6,139**	5,715
Interest in a jointly controlled entity	17	**—**	37
		6,278	5,944
Current assets			
Trade and other receivables	18	**2,861**	6,026
Cash and deposits with banks	19	**20,072**	14,068
		22,933	20,094
Total assets		**29,211**	26,038
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	20	**36,930**	36,930
Reserves	22	**(11,159)**	(18,981)
		25,771	17,949
Minority interests		**—**	637
Total equity		**25,771**	18,586
LIABILITIES			
Current liabilities			
Trade and other payables	23	**3,440**	6,828
Convertible notes	24	**—**	400
Current tax liabilities		**—**	224
Total liabilities		**3,440**	7,452

Consolidated Balance Sheet

At 31 March 2007

	2007	2006
	HK$'000	*HK$'000*
Total equity and liabilities	**29,211**	26,038
Net current assets	**19,493**	12,642
Total assets less current liabilities	**25,771**	18,586

These consolidated financial statements were approved and authorised for issue by the Board of directors on 6 June 2007.

Chan Chung
Chairman

Chan Wai Kwong, Peter
Director

The notes on pages 42 to 93 are an integral part of these consolidated financial statements.

Balance Sheet

At 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	15	**759**	19,786
Current assets			
Prepayment and other receivables		**203**	138
Cash and deposits with banks	19	**16,584**	59
		16,787	197
Total assets		**17,546**	19,983
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	20	**36,930**	36,930
Reserves	22	**(20,020)**	(18,546)
Total equity		**16,910**	18,384
LIABILITIES			
Current liabilities			
Other payables	23	**636**	1,199
Convertible notes	24	**—**	400
Total liabilities		**636**	1,599
Total equity and liabilities		**17,546**	19,983

These financial statements were approved and authorised for issue by the Board of directors on 6 June 2007.

Chan Chung
Chairman

Chan Wai Kwong, Peter
Director

The notes on pages 42 to 93 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2007

		Attributable to equity holders of the Company					
		Share capital	Share premium	Other reserves	Accumulated deficits	Minority interests	Total
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 April 2005		34,530	35,303	20,407	(73,397)	557	17,400
Translation adjustments		—	—	2	—	—	2
Elimination on winding-up of a subsidiary		—	—	26	—	—	26
Shares issued on conversion of convertible notes		2,400	261	(261)	—	—	2,400
Redemption of convertible notes	*22(a)*	—	—	(240)	240	—	—
Acquisition of a subsidiary	*26(a)*	—	—	—	—	19	19
Loss for the year		—	—	—	(1,322)	61	(1,261)
Balance at 31 March 2006		36,930	35,564	19,934	(74,479)	637	18,586
Recognition of share option benefits at fair value		—	—	35	—	—	35
Redemption of convertible notes	*22(a)*	—	—	(44)	44	—	—
Disposal of subsidiaries	*26(b)*	—	—	(62)	—	(1,011)	(1,073)
Profit for the year		—	—	—	7,849	374	8,223
Balance at 31 March 2007		36,930	35,564	19,863	(66,586)	—	25,771

The notes on pages 42 to 93 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For The Year Ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Operating activities			
Profit/(loss) before taxation		**8,484**	(1,037)
Adjustments for:			
Share option benefits	*22(a)*	**35**	—
Depreciation of property, plant and equipment	*14*	**94**	148
Excess of fair value of net assets acquired over consideration	*6*	**—**	(28)
Impairment for bad and doubtful debts	*7*	**924**	—
Gains on disposal of subsidiaries	*6*	**(8,960)**	—
Interest income	*6*	**(456)**	(325)
Interest expenses	*8*	**8**	74
Share of profit of an associate		**(105)**	(64)
Share of loss of a jointly controlled entity		**1**	4
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
Trade and other receivables		**(1,212)**	(3,191)
Trade and other payables		**435**	62
Net cash used in operations		**(752)**	(4,357)
Overseas taxation paid		**(261)**	—
Net cash used in operating activities		**(1,013)**	(4,357)
Investing activities			
Acquisition of a subsidiary, net of cash acquired	*26(a)*	**—**	59
Investment in a jointly controlled entity		**—**	(5)
Net increase in amount due from an associate	*16*	**(319)**	(283)
Net increase in amount due from a jointly controlled entity	*17*	**(5)**	(36)
Purchase of property, plant and equipment	*14*	**(75)**	(240)
Proceeds from disposal of subsidiaries	*26(b)*	**7,421**	—
Interest received		**402**	325
Increase in bank deposit	*19*	**(12,000)**	—
Net cash used in investing activities		**(4,576)**	(180)
Financing activities			
Payment for convertible notes	*24*	**(400)**	(1,800)
Interest paid		**(7)**	(32)
Net cash used in financing activities		**(407)**	(1,832)
Net decrease in cash and cash equivalents		**(5,996)**	(6,369)
Cash and cash equivalents at beginning of the year		**14,068**	20,437
Cash and cash equivalents at the end of the year	*19*	**8,072**	14,068

The notes on pages 42 to 93 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 General Information

Mobile Telecom Network (Holdings) Limited (the "Company") and its subsidiaries (together 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.

The Company was incorporated in the Cayman Islands on 25 May 2000 as an exempted Company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is Room 3401, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company acquired the entire issued capital of Mobile Telecom (BVI) Limited through a share swap and became the holding Company of Mobile Telecom (BVI) Limited and its subsidiaries. Details of the Reorganisation are set out in the Prospectus of the Company dated 30 April 2003. The shares of the Company were listed on the GEM of the Stock Exchange on 9 May 2003.

These consolidated financial statements are presented in thousands of units of HK dollars (HK$'000) unless otherwise stated.

2 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basic of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention.

Notes to the Financial Statements

2 Summary of Significant Accounting Policies *(Continued)*

(a) Basic of preparation *(Continued)*

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The adoption of new/revised HKFRS

In 2007, the Group adopted the amendments and interpretations of HKFRS below, which are relevant to its operations:

HKAS 19 Amendments	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendments	Net Investment in a Foreign Operation
HKAS 27 Amendments	Consolidated and Separate Financial Statements Amendments as a consequence of the Companies (Amendments) Ordinance 2005
HKAS 39 Amendments	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendments	The Fair Value Option
HKAS 39 and HKFRS 4 Amendments	Financial Guarantee Contracts
HK (IFRIC) — Int 4	Determining whether an Arrangement contains a Lease
HK (IFRIC) — Int 8	Scope of HKFRS 2 (effective from 1 May 2006)

The Group has assessed the impact of the adoption of these amendments and interpretations and considered that there was no significant impact on the Group's results and equity for the current or prior accounting periods.

Notes to the Financial Statements

2 Summary of Significant Accounting Policies *(Continued)*

(a) Basic of preparation *(Continued)*

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

The HKICPA has issued certain new standards, amendments and interpretations which are relevant to the Group's operations and financial statements and are mandatory for the Group's accounting periods beginning on or after 1 April 2007 or later periods as follows:

Effective from 1 April 2007

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures (effective from 1 January 2007)
HK (IFRIC) — Int 9	Reassessment of Embedded Derivatives (effective from 1 June 2006)
HK (IFRIC) — Int 10	Interim Reporting and Impairment (effective from 1 November 2006)
HK (IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions (effective 1 March 2007)
HKFRS 7	Financial Instruments: Disclosures (effective 1 January 2007)

Effective from 1 April 2009

HKFRS 8	Operating Segments (effective from 1 January 2009)

The Group has not early adopted the above standards, amendments and interpretations and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of these financial statements will be resulted.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Notes to the Financial Statements

2 Summary of Significant Accounting Policies *(Continued)*

(b) Consolidation *(Continued)*

(i) Subsidiaries *(Continued)*

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less any accumulated impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividends received and receivable.

Notes to the Financial Statements

2 Summary of Significant Accounting Policies *(Continued)*

(b) Consolidation *(Continued)*

(ii) Associates

Associates are all entities, not being a subsidiary or a jointly controlled entity, over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition *(see note 2(h))*.

The Group's share of its associates' post-acquisition results is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(c) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format and no segment information by business segment is presented as the Group operates in one business segment — mobile data solutions.

Unallocated costs represent corporate expenses. Segment assets consist primarily of trade receivables and operating cash. Segment liabilities comprise operating liabilities. Capital expenditure comprises additions to property, plant and equipment.

In respect of geographical segment reporting, sales are based on the countries in which the customers are located and total assets and capital expenditure are where the assets are located.

Notes to the Financial Statements

2 Summary of Significant Accounting Policies *(Continued)*

(d) Foreign current translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

Notes to the Financial Statements

2 Summary of Significant Accounting Policies *(Continued)*

(d) Foreign current translation *(Continued)*

(c) Group companies *(Continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses *(see note 2(h))*. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values (if, there are any) over their estimated useful lives, as follows:

Computer hardware and software	3 years
Leasehold improvements	2-5 years (lease term)
Furniture and fixtures	5 years
Office equipment	5 years

Notes to the Financial Statements

2 Summary of Significant Accounting Policies *(Continued)*

(e) Property, plant and equipment *(Continued)*

The assets' residual values (if any) and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the income statement in the period the item is derecognised.

(f) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries and associates is included in intangible assets and investments in associates respectively. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses *(see note 2(h))*. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(g) Intangible assets (Other than goodwill)

Research and development expenses

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainly that the projects are technically feasible, and the products have commercial value. Product development expenditure which does not meet this criteria is expensed when incurred.

All research and development expenses incurred during the year ended 31 March 2007 were expensed as no expenditure met the criteria for deferral.

Notes to the Financial Statements

2 Summary of Significant Accounting Policies *(Continued)*

(h) Impairment of assets

(i) Impairment of receivables

Current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

— For trade and other current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest are computed at initial recognition of these assets), where the effect of discounting is material.

— If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indicators that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have deceased:

— property, plant and equipment (other than properties carried at revalued amounts);
— intangible assets;
— investments in subsidiaries and associates ; and
— goodwill

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

Notes to the Financial Statements

2 Summary of Significant Accounting Policies *(Continued)*

(h) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash-generated unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generated units (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

Notes to the Financial Statements

2 Summary of Significant Accounting Policies *(Continued)*

(i) Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less any impairment losses for bad and doubtful debts *(see note 2(h))*, except for the following receivables:

— Interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any impairment losses for bad and doubtful debts, and

— Short term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any impairment losses for bad and doubtful debts *(see note 2(h))*.

(j) Cash and cash equivalents

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Trade and other payables

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for the following payables:

— short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount.

— Interest free loans from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

(l) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements

2 Summary of Significant Accounting Policies *(Continued)*

(m) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates (and laws) enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets also arise from unused tax losses and unused tax credits.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associate, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(n) Employee benefits

(i) Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Notes to the Financial Statements

2 Summary of Significant Accounting Policies *(Continued)*

(n) Employee benefits *(Continued)*

(ii) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme in Hong Kong (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Notes to the Financial Statements

2 Summary of Significant Accounting Policies *(Continued)*

(o) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payment to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(o)(iii) below if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(o)(iii) below. Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(o)(iii) below.

Notes to the Financial Statements

2 Summary of Significant Accounting Policies *(Continued)*

(o) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(iii) Other provisions and contingent liabilities

Provision are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group, on the following basis:

(i) Service fees from provision of mobile data solutions and related services are recognised when the services are rendered.

(ii) Interest income is recognised on a time-proportion basis using the effective interest. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrants.

Notes to the Financial Statements

2 Summary of Significant Accounting Policies *(Continued)*

(q) Operating lease (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Where the Group is the lessee, payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(r) Related parties

A party is related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

(1) controls, is controlled by, or is under common control with the Group;

(2) has an interest in the Group that gives its significant influence over the Group; or

(3) has joint control over the Group;

(ii) the party is a jointly-controlled entity;

(iii) the party is an associate;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Notes to the Financial Statements

3 Financial Risk Management Objectives and Policies

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as follows:

(a) Market risk

Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rates relating to investments denominated in foreign currencies. The Group's assets and liabilities are primarily denominated in Hong Kong dollars. When seeking to optimise the returns on its funds available for investment, the Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

(b) Credit risk

The Group's has no significant concentrations of credit risk as the customers of the Group are mainly international telecom operations with good reputation. It has policies in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

(c) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets other than time deposits *(Note 19)*, the Group's income and operating cash flows are substantially independent of change in market interest rates. Hence the Group's exposure to cash flow and fair value interest rate risk is minimal.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding and financial supports when needed from other companies within the Group. The Group has maintained a tight treasury controls and the Group's liquidity needs are financed by its working capital.

Notes to the Financial Statements

4 Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment losses for bad and doubtful debts

The Group makes provision for impairment of doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimates has been changed.

(b) Income tax and deferred tax

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets recognised to the extent that it is probable that future taxable profit will be available against the temporary differences or tax losses can be utilised. In the current year, deferred tax assets relating to certain temporary differences and tax losses are not recognised in the financial statements. The management considers that there is uncertainty and unpredictability of future profit streams available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred tax assets and income tax charge in the year in which such estimate has been changed.

Notes to the Financial Statements

4 Critical Accounting Estimates and Judgements *(Continued)*

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

5 Segment Information

Primary reporting format — Business segments

No segment information by business segment is presented as the Group operates in one business — mobile data solutions.

Notes to the Financial Statements

5 Segment Information *(Continued)*

Secondary reporting format — geographical segments

An analysis of the Group's turnover and results for the year by geographical locations is as follows:

	Hong Kong/ Macao 2007 *HK$'000*	Australia 2007 *HK$'000*	Malaysia 2007 *HK$'000*	Singapore 2007 *HK$'000*	Taiwan 2007 *HK$'000*	Others* 2007 *HK$'000*	Total 2007 *HK$'000*
Turnover	12,944	7,096	—	1,032	566	79	21,717
Segment results	813	335	—	156	(225)	32	1,111
Unallocated costs							(1,683)
Gains on disposal of subsidiaries							8,960
Operating profit							8,388
Finance costs							(8)
Share of profit of an associate							105
Share of loss of a jointly controlled entity							(1)
Profit before taxation							8,484
Taxation							(261)
Profit for the year							8,223
Profit attributable to equity holders							7,849
Minority interests							374
							8,223
Segment assets	6,126	—	—	—	157	—	6,283
Interest in an associate							6,139
Unallocated assets							16,789
Total assets							29,211
Segment liabilities	(2,781)	—	—	—	(22)	—	(2,803)
Unallocated liabilities							(637)
Total liabilities							(3,440)
Capital expenditure	75	—	—	—	—	—	75
Depreciation of property, plant and equipment	88	3	—	3	—	—	94

Notes to the Financial Statements

5 Segment Information *(Continued)*

Secondary reporting format — geographical segments

	Hong Kong/ Macao 2006 *HK$'000*	Australia 2006 *HK$'000*	Malaysia 2006 *HK$'000*	Singapore 2006 *HK$'000*	Taiwan 2006 *HK$'000*	Others* 2006 *HK$'000*	Total 2006 *HK$'000*
Turnover	8,429	8,276	169	1,700	1,248	1,160	20,982
Segment results	770	772	68	(6)	299	489	2,392
Unallocated costs							(3,415)
Operating loss							(1,023)
Finance costs							(74)
Share of profit of an associate							64
Share of loss of a jointly controlled entity							(4)
Loss before taxation							(1,037)
Taxation							(224)
Loss for the year							(1,261)
Loss attributable to equity holders							(1,322)
Minority interests							61
							(1,261)
Segment assets	14,922	3,644	17	1,187	356	—	20,126
Interest in an associate							5,715
Interest in a jointly controlled entity							37
Unallocated assets							160
Total assets							26,038
Segment liabilities	(2,537)	(2,440)	—	(851)	(25)	—	(5,853)
Unallocated liabilities							(1,599)
Total liabilities							(7,452)
Capital expenditure	178	27	—	35	—	—	240
Depreciation of property, plant and equipment	126	4	—	18	—	—	148

* Others represent turnover generated from Thailand and Vietnam.

There are no sales or other transactions between the geographical segments.

Notes to the Financial Statements

6 Turnover, Other Income and Gains, net

Turnover represents the amounts received and receivable for services provided to customers during the year. An analysis of the Group's turnover, other income and gains, net is as follows:

	2007	2006
	HK$'000	*HK$'000*
Turnover		
Service fees from provision of mobile data solutions and related services	**21,717**	20,982
Other income		
Interest income	**456**	325
Excess of fair value of net assets acquired over consideration recognised as income *(Note 26(a))*	**—**	28
Waiver of loan due from a minority shareholder of a subsidiary	**—**	553
Sundry income	**775**	177
	1,231	1,083
Gains, net		
Gains on disposal of subsidiaries *(Note 26(b))*	**8,960**	—
	31,908	22,065

Notes to the Financial Statements

7 Operating Profit/(Loss)

Operating profit/(loss) is stated after charging/(crediting) the following:

	2007	2006
	HK$'000	*HK$'000*
Auditor's remuneration		
— Current year	**233**	314
— Under-provision in prior year	**24**	—
Depreciation of property, plant and equipment	**94**	148
Staff costs, including directors' emoluments and amount classified as research and development expenses *(Note 9)*	**6,274**	6,706
Net exchange (gain)/loss	**(572)**	1
Operating lease rentals of premises and facilities	**1,123**	624
Impairment for bad and doubtful debts	**924**	—
Share of associate's taxation	**30**	—

8 Finance Costs

	2007	2006
	HK$'000	*HK$'000*
Interest on convertible notes *(Note 24)*	**1**	64
Other interest	**7**	10
	8	74

9 Staff Costs

	2007	2006
	HK$'000	*HK$'000*
Wages and salaries	**6,051**	6,440
Pension costs — defined contribution schemes	**188**	266
Employee share option benefits	**35**	—
	6,274	6,706

Notes to the Financial Statements

10 Directors' and Employees' Emoluments

(a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Group

2007 Name of directors	Directors' Fees *HK$'000*	Salaries and allowances *HK$'000*	MPF contributions *HK$'000*	Share-based payment *HK$'000*	Other emoluments *HK$'000*	Total *HK$'000*
Executive directors:						
Chan Chung	—	1,274	12	15	464	1,765
Chan Wai Kwong, Peter	—	216	11	—	—	227
Non-executive director:						
Goh Yu Min	30	—	—	—	—	30
Independent non-executive directors:						
Jeffery Matthew Bistrong	100	—	—	—	—	100
Chu Chin Tai, Eric	84	—	—	—	—	84
Chen Kwok Wang, Kester	84	—	—	—	—	84
Ko Tak Fai, Desmond	—	—	—	—	—	—
Total	298	1,490	23	15	464	2,290

Notes to the Financial Statements

10 Directors' and Employees' Emoluments *(Continued)*

(a) Directors' emoluments *(Continued)*

Group

2006 Name of directors	Directors' Fees *HK$'000*	Salaries and allowances *HK$'000*	MPF contributions *HK$'000*	Share- based payment *HK$'000*	Other emoluments *HK$'000*	Total *HK$'000*
Executive directors:						
Chan Chung	—	1,274	12	—	464	1,750
Chan Wai Kwong, Peter	—	216	12	—	—	228
Non-executive director:						
Goh Yu Min	60	—	—	—	—	60
Independent non-executive directors:						
Jeffery Matthew Bistrong	100	—	—	—	—	100
Charles George St. John Reed	96	—	—	—	—	96
Ko Tak Fai, Desmond	84	—	—	—	—	84
Chu Chin Tai, Eric	6	—	—	—	—	6
Chen Kwok Wang, Kester	—	—	—	—	—	—
Total	346	1,490	24	—	464	2,324

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: Nil).

Notes to the Financial Statements

10 Directors' And Employees' Emoluments *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2006: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2006: three) employees during the year are as follows:

	2007	2006
	HK$'000	*HK$'000*
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**1,623**	1,239
Contributions to MPF scheme	**36**	36
	1,659	1,275

The number of the remaining three (2006: three) employees whose emoluments fall within the following band:

	2007	2006
HK$nil to HK$1,000,000	**3**	3

Notes to the Financial Statements

11 Taxation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from Cayman Islands income tax. Subsidiaries incorporated in the British Virgin Islands were exempted companies with limited liability under the Companies Law of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

No provision for Hong Kong profits tax is made in the financial statements as the Group has sufficient tax losses brought forward available to offset the current estimated profits (2006: Nil). Taxation on overseas profits has been calculated on the estimated profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2007	2006
	HK$'000	*HK$'000*
Current tax		
— Hong Kong Profits tax	**—**	—
— Overseas taxation	**261**	224
Taxation charge	**261**	224

Notes to the Financial Statements

11 Taxation *(Continued)*

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the domestic taxation rates applicable to profit/(loss) of the consolidated companies is as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**8,484**	(1,037)
Calculated at a taxation rate of 17.5% (2006: 17.5%)	**1,485**	(181)
Tax effect of income not subject to taxation	**(1,643)**	(215)
Tax effect of expenses not deductible for taxation purposes	**660**	503
Tax effect of temporary differences for the year unrecognised	**(2)**	(16)
Tax effect of tax losses for the year unrecognised	**21**	157
Tax effect of utilisation of previously unrecognised tax losses	**(345)**	(113)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**85**	89
Taxation charge	**261**	224

Notes to the Financial Statements

12 Profit/(Loss) Attributable to Equity Holders of the Company

The profit/(loss) attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of the loss of HK$1,509,000 (2006: loss of HK$2,848,000).

13 Earnings/(Losses) per Share

(a) Basic earnings/(losses) per share is calculated by dividing the profit/(loss) for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders of the Company	**7,849**	(1,322)
Weighted average number of ordinary shares in issue	**472,811,363**	465,772,375
Basic earnings/(losses) per share	**1.66 cents**	(0.28) cents

Notes to the Financial Statements

13 Earnings/(Losses) per Share *(Continued)*

(b) Diluted earnings per share

The diluted earnings per share is calculated by dividing the profit for the year and on the weighted average number of ordinary shares, being the weighted average number of ordinary shares in issue during the year as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year.

	2007
	HK$'000
Profit for the year, used in the basic and diluted earnings per share calculation	**7,849**
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**472,811,363**
Weighted average number of ordinary shares issued at no consideration on deemed exercise of all shares options outstanding during the year	**10,258,113**
	483,069,476
Diluted earnings per share	**1.62 cents**

No diluted losses per share for the year ended 31 March 2006 were presented as the outstanding share options and convertible notes for the said year on the basic losses per share had anti-dilutive effect.

Notes to the Financial Statements

14 Property, Plant and Equipment — Group

	Computer hardware and software *HK$'000*	Leasehold improvements, furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
Cost				
At 1 April 2005	7,508	304	238	8,050
Acquisition of a subsidiary	7	—	—	7
Additions	226	—	14	240
At 31 March 2006	7,741	304	252	8,297
Additions	75	—	—	75
Disposal of subsidiaries	(2,927)	(93)	(111)	(3,131)
At 31 March 2007	4,889	211	141	5,241
Accumulated depreciation				
At 1 April 2005	7,460	277	217	7,954
Acquisition of a subsidiary	3	—	—	3
Depreciation provided for the year	96	25	27	148
At 31 March 2006	7,559	302	244	8,105
Depreciation provided for the year	86	2	6	94
Disposal of subsidiaries	(2,895)	(93)	(109)	(3,097)
At 31 March 2007	4,750	211	141	5,102
Net book value				
At 31 March 2007	139	—	—	139
At 31 March 2006	182	2	8	192

Notes to the Financial Statements

15 Interests in Subsidiaries

In the Company's balance sheet, interests in subsidiaries consisted of:

	2007	2006
	HK$'000	*HK$'000*
Investments, at cost		
Unlisted shares	**24,319**	24,319
Due from subsidiaries *(Note(i))*	**33,608**	52,635
	57,927	76,954
Less: Impairment losses	**57,168**	57,168
	759	19,786

Details of the subsidiaries at 31 March 2007 are as follows:

Name	**Place of incorporation**	**Principal activities and place of operation**	**Particulars of issued share capital**	**Interest held**
Directly held:				
Mobile Telecom (BVI) Limited	British Virgin Islands	Investment holding in Hong Kong	100 Ordinary shares of US$1 each	100%
Indirectly held:				
MTel Limited	Hong Kong	Development and provision of mobile data solutions and related services in Hong Kong	100 Ordinary shares of HK$0.01 each 10,000,000 non-voting deferred shares of HK$0.01 each *(Note (ii))*	100%

Notes to the Financial Statements

15 Interests in Subsidiaries *(Continued)*

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Indirectly held: *(Continued)*				
MTel (Taiwan) Limited	British Virgin Islands	Provision of mobile data solutions and related services in Taiwan	100 ordinary shares of US$1 each	100%
MTel (Hong Kong) Limited	Hong Kong	Not yet commenced business	10,000 ordinary shares of HK$1 each	100%
MTel Solutions Limited (Formerly One Consultancy Limited)	Hong Kong	Information technology solution services	10,000 ordinary shares of HK$1 each	60%

Notes:

(i) The amounts due from subsidiaries are unsecured, non-interest bearing and not repayable until the subsidiaries are financially capable to do so.

(ii) Holders of non-voting deferred shares have no voting rights, are not entitled to dividends and are not entitled to any distribution upon winding up unless a sum of HK$100,000,000,000,000,000 has been distributed by the Company to the holders of its ordinary shares.

Notes to the Financial Statements

16 Interest in an Associate

	2007 HK$'000	2006 HK$'000
Share of net assets, other than goodwill	**212**	107
Goodwill	**5,250**	5,250
	5,462	5,357
Due from an associate	**677**	358
	6,139	5,715

(a) The amount due from an associate is unsecured, non-interest bearing and has no fixed term of repayment.

(b) The Group's interest in its associate, which is unlisted and engaged in development and provision of mobile data solutions and related services in the PRC, is as follows:

Name	Particulars of issued shares held	Country of Corporation	Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	Profit HK$'000	% Interest held
2006							
廣州流之動資訊技術有限公司	Ordinary shares of RMB1 each	PRC	847	579	468	134	40
2007							
廣州流之動資訊技術有限公司	Ordinary shares of RMB1 each	PRC	1,314	784	2,460	263	40

Notes to the Financial Statements

17 Interest in a Jointly Controlled Entity

	2007	2006
	HK$'000	*HK$'000*
Share of net assets	—	1
Due from a jointly-controlled entity	—	36
	—	37

The jointly controlled entity was disposed of during the year.

18 Trade and Other Receivables

	Group	
	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**2,067**	4,320
Less: Impairment losses	—	89
Trade receivables — net	**2,067**	4,231
Prepayments, other receivables and deposits	**1,706**	1,795
Less: Impairment losses	**912**	—
	794	1,795
	2,861	6,026

The fair values of trade and other receivables under current assets approximate to their carrying amounts.

Notes to the Financial Statements

18 Trade and Other Receivables *(Continued)*

The credit period granted by the Group to its customers is generally 30 days. The aging analysis of trade receivables is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 to 30 days	**1,265**	2,812
31 to 60 days	**434**	458
61 to 90 days	**45**	312
91 to 180 days	**124**	347
Over 180 days	**199**	302
	2,067	4,231

The Group has recognised a loss of HK$12,000 (2006: Nil) for the impairment of its trade receivables during the year ended 31 March 2007. The loss has been included in other operating expenses in the income statement as impairment for bad and doubtful debts.

Notes to the Financial Statements

19 Cash and Cash Equivalents

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and deposits with banks in the balance sheet	**20,072**	14,068	**16,584**	59
Less: Bank deposit with maturity greater than three months	**12,000**	—	**12,000**	—
Cash and cash equivalents in the cash flow statement	**8,072**	14,068	**4,584**	59

The effective interest rates for time deposits of HK$12,000,000 and HK$4,000,000 were 4.2% and 4.1% respectively; these deposits have maturity of 155 and 36 days respectively.

20 Share Capital

		Ordinary shares of US$0.01 each	
		Number of shares	**Nominal value**
	Note		*HK$'000*
Authorised:			
At 31 March 2006 and 31 March 2007		2,000,000,000	156,000
Issued:			
At 1 April 2005		442,042,133	34,530
Issue of shares upon conversion of convertible notes	*(a)*	30,769,230	2,400
At 31 March 2006 and 31 March 2007		472,811,363	36,930

Notes to the Financial Statements

20 Share Capital *(Continued)*

Note:

(a) On 9 May 2005 and 8 August 2005, Vodatel Information Limited has exercised to convert HK$2,400,000 convertible notes for 30,769,230 ordinary shares of HK$0.078 each.

21 Share Options

The Company adopted a Pre-IPO Share Option Scheme (the “Pre-IPO Share Option Scheme”) and a Share Option Scheme (the “Share Option Scheme”) on 27 March 2003.

The purposes of the share option schemes are to provide incentives or rewards for any full-time employees, executives or officers, directors of the Company or any of the subsidiaries and any suppliers, consultants, agents and/or advisors who have contributed to the Company and/or any of its subsidiaries.

(i) Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO Share Option Scheme, the Company had granted Pre-IPO share options to two executive directors, one business consultant and employees. The options granted under the Pre-IPO Share Option Scheme entitle the holders to subscribe for a total of up to 2,530,000 shares at exercise prices ranging from HK$0.103 to HK$0.114 each, representing, in aggregate, approximately 0.54% of the existing issued share capital of the Company. All of the options have duration of ten years from 9 May 2003 to 8 May 2013.

On 9 February 2007, share options were transferred to certain employees to subscribe for 1,045,000 shares of the Company at an exercise price of HK$0.09 each. 1,045,000 shares of the aforesaid options were transferred in during the year and the remaining options are exercisable after one year from the date of transfer.

Notes to the Financial Statements

21 Share Options *(Continued)*

(i) Pre-IPO Share Option Scheme *(Continued)*

Movements in the number of share options outstanding during the year are as follows:

	Number of options	
	2007	**2006**
At 1 April	**2,530,000**	2,530,000
Transfer in *(Note (iv))*	**1,045,000**	—
Transfer out	**(1,045,000)**	—
At 31 March	**2,530,000**	2,530,000

No share options were exercised during the year.

The fair values on share-based payments are shown in Note (iv).

(ii) Share Option Scheme

Pursuant to the Share Option Scheme, the Company may grant share options to any full-time employees, executive or officers, directors of the Company or its subsidiaries and any suppliers, consultants, agents and advisors who have contributed to the Group to subscribe for shares in the Company. Options granted are exercisable at any time during a period to be notified by the Board of Directors of the Company to grantees provided that the period within which the options must be exercised shall be not more than ten years from the date of grant of the options. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company from time to time. The subscription price of the option shares is not to be less than the higher of (a) the closing price of one share as stated in the stock exchange's daily quotations sheet on the date of grant, (b) the average of the closing price of the shares as stated in the stock exchange's daily quotations sheet for the five business days immediately preceding the date of grant, and (c) the nominal value of a share.

On 18 September, 2006, share options were granted to Dr. Chan Chung to subscribe for 4,728,113 shares of the Company at any exercise price of HK$0.078 each.

Notes to the Financial Statements

21 Share Options *(Continued)*

(ii) Share Option Scheme *(Continued)*

Movements in the number of share options outstanding during the year are as follows:

	Number of options	
	2007	2006
At 1 April	**—**	—
Granted *(Note (iv))*	**4,728,113**	—
At 31 March	**4,728,113**	—

No share options were exercised and lapsed during the year.

The fair values on share-based payments are shown in Note (iv).

(iii) Other Options

On 4 September 2001, options were granted to a former director of the Company to subscribe for 3,000,000 shares in the Company at an exercise price of HK$0.078 (equivalent of US$0.01) per share. These options are exercisable upon a listing of the Company shares on stock exchange.

Notes to the Financial Statements

21 Share Options *(Continued)*

(iv) Fair values on share-based payments

Fair values on share-based payments were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	Share options granted on	
	18 September 2006 *(Note (ii))*	**9 February 2007** *(Note (i))*
Share price	HK$0.050	HK$0.090
Exercise price	HK$0.078	HK$0.090
Expected volatility	24.7%	24.7%
Expected option life (in years)	3	3
Risk-free-rate	3.62%	3.62%
Expected dividends	Nil	Nil

Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the staff costs of HK$14,600 and HK$20,400, totalling HK$35,000 for the year ended 31 March 2007 (2006: Nil) in relation to share options granted by the Company on 18 September 2006 and 9 February 2007 respectively.

Notes to the Financial Statements

22 Reserves

(a) Group

	Share Premium	Capital reserve	Capital redemption reserve	Cumulative translation adjustments	Convertible notes reserve	Share-based payment reserve	Accumulated deficits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note (iii))	*(Note (i))*						
Balance at 1 April 2005	35,303	16,375	2,943	544	545	—	(73,397)	(17,687)
Translation adjustments	—	—	—	2	—	—	—	2
Elimination on winding-up of a subsidiary	—	—	—	26	—	—	—	26
Conversion of convertible notes	261	—	—	—	(261)	—	—	—
Redemption of convertible notes	—	—	—	—	(240)	—	240	—
Loss for the year	—	—	—	—	—	—	(1,322)	(1,322)
Balance at 31 March 2006	35,564	16,375	2,943	572	44	—	(74,479)	(18,981)
Recognition of share option benefits at fair value	—	—	—	—	—	35	—	35
Redemption of convertible notes	—	—	—	—	(44)	—	44	—
Disposal of subsidiaries	—	—	—	(62)	—	—	—	(62)
Profit for the year	—	—	—	—	—	—	7,849	7,849
Balance at 31 March 2007	35,564	16,375	2,943	510	—	35	(66,586)	(11,159)

Notes to the Financial Statements

22 Reserves *(Continued)*

(b) Company

	Share Premium HK$'000 (Note (iii))	Contributed surplus HK$'000 (Note (ii))	Capital redemption reserve HK$'000	Convertible notes reserve HK$'000	Share-based Payment reserve HK$'000	Accumulated deficits HK$'000	Totals HK$'000
Balance at 1 April 2005	35,303	16,375	2,943	545	—	(70,864)	(15,698)
Conversion of convertible notes	261	—	—	(261)	—	—	—
Redemption of convertible notes	—	—	—	(240)	—	240	—
Loss for the year	—	—	—	—	—	(2,848)	(2,848)
Balance at 31 March 2006	35,564	16,375	2,943	44	—	(73,472)	(18,546)
Recognition of share option benefits at fair value	—	—	—	—	35	—	35
Redemption of convertible notes	—	—	—	(44)	—	44	—
Loss for the year	—	—	—	—	—	(1,509)	(1,509)
Balance at 31 March 2007	35,564	16,375	2,943	—	35	(74,937)	(20,020)

Notes:

(i) Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of the subsidiary acquired through exchange of shares.

(ii) Contributed surplus represents the difference between the net assets value of a subsidiary acquired and the nominal value of the ordinary shares issued by the Company in connection with the acquisition.

(iii) Under the Company law of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

Notes to the Financial Statements

23 Trade and Other Payables

(a) Group

	2007	2006
	HK$'000	*HK$'000*
Trade payables	**1,930**	2,829
Accrued expenses	**923**	2,939
Other payables *(Note (i))*	**575**	1,048
Deposits received	**12**	12
	3,440	6,828

The aging analysis of trade payables is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 to 30 days	**803**	388
31 to 60 days	**414**	544
61 to 90 days	**178**	462
Over 90 days	**535**	1,435
	1,930	2,829

(b) Company

	2007	2006
	HK$'000	*HK$'000*
Accrued expenses	**368**	401
Other payables *(Note (i))*	**268**	798
	636	1,199

Note (i) In 2006, an amount of HK$400,000 was reclassified from convertible notes to other payables, which bore interest at 1% per annum.

Notes to the Financial Statements

24 Convertible Notes

The convertible notes issued are unsecured , bear interest at 1% per annum, are convertible into shares of the Company based on a prescribed formula (subject to adjustment) over a period of three years from the date of issue, and are repayable upon maturity at the end of a three-year period from the date of issue if not converted.

The fair values of the liability component and the equity conversion component were determined at issuance of the notes. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in convertible notes reserve *(Note 22)*.

The convertible notes recognised in the balance sheet at 31 March 2007 and 2006 are calculated as follows:

	Group and Company	
	2007	2006
	HK$'000	*HK$'000*
Face value of convertible notes at the date of issue	**400**	5,000
Equity component *(Note 22)*	**(44)**	(545)
Liability on initial recognition component at the date of issue	**356**	4,455
Interest expense *(Note 8)*		
— Opening balance	**55**	628
— Current year	**1**	64
Interest paid		
— Opening balance	**(12)**	(127)
— Current year	**—**	(22)
Conversion of convertible notes	**—**	(2,400)
Redemption of convertible notes	**(400)**	(1,798)
Reclassification to other payables upon maturity *(Note 23)*	**—**	(400)
Liability component at the end of the year	**—**	400

Interest expense on the notes is calculated using the effective interest method by applying the effective interest rate of 5% to the liability component.

Notes to the Financial Statements

24 Convertible Notes *(Continued)*

The Group's and Company's convertible notes are repayable as follows:

	2007	2006
	HK$'000	*HK$'000*
Within 1 year	**—**	400

25 Deferred Taxation

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Deductible temporary differences	**1,062**	1,111
Unused tax losses	**35,291**	70,037
	36,353	71,148

Temporary differences arising in connection with interest in an associate are insignificant. The deductible temporary differences and unused tax losses do not expire under current tax legislation.

Notes to the Financial Statements

26 Notes to the Consolidated Cash Flow Statement

(a) Acquisition of a subsidiary

On 15 December 2005, the Group acquired 60% of the share capital of MTel Solutions Limited (Formerly One Consultancy Limited), a company engaged in providing information technology services in Hong Kong. The acquired business contributed revenue of HK$147,469 and net profit of HK$39,812 to the Group for the period from 15 December 2005 to 31 March 2006. If the acquisition had occurred on 1 April 2005, Group revenue would have been HK$22,417,000, and loss before allocations would have been HK$1,224,000.

Details of net assets acquired and excess of fair value of net assets acquired over consideration are as follows:

	2007	2006
	HK$	*HK$*
Purchase consideration:		
Cash paid	—	(1)
Fair value of net assets acquired		
— Shown as below	—	28,270
Excess of fair value of net assets acquired over consideration *(Note 6)*	—	28,269

Notes to the Financial Statements

26 Notes to the Consolidated Cash Flow Statement *(Continued)*

(a) Acquisition of a subsidiary *(Continued)*

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount	
	2007	2006
	HK$	*HK$*
Cash and cash equivalents	—	58,969
Property, plant and equipment *(Note 14)*	—	4,523
Receivables	—	22,750
Payables	—	(39,125)
Net assets	—	47,117
Minority interests (40%)	—	(18,847)
Net assets acquired	—	28,270
Purchases consideration settled in cash	—	(1)
Cash and cash equivalents in subsidiary acquired	—	58,969
Cash inflow on acquisition	—	58,968

Notes to the Financial Statements

26 Notes to the Consolidated Cash Flow Statement *(Continued)*

(b) Disposal of subsidiaries

The Group disposed of 60% of share capital of Mobilemode Limited and its subsidiaries for a consideration of EUR1,000,000, equivalent to approximately HK$9,800,000, on 10 August 2006.

	2007	2006
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment *(Note 14)*	**34**	—
Receivables	**4,074**	—
Cash and cash equivalents	**2,379**	—
Payables	**(3,960)**	—
Minority interests	**(1,011)**	—
Net assets	**1,516**	—
Reserve realised on disposal	**(62)**	—
Wavier of amount due to the Group	**(614)**	—
Gains on disposal of subsidiaries *(Note 6)*	**8,960**	—
	9,800	—
Satisfied by:		
Cash	**9,800**	—

Notes to the Financial Statements

26 Notes to the Consolidated Cash Flow Statement *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2007	2006
	HK$'000	*HK$'000*
Cash consideration received	**9,800**	—
Cash and cash equivalents in subsidiaries disposed of	**(2,379)**	—
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**7,421**	—

27 Operating Lease Arrangement

As lessee

The Group leases certain of its office properties under operating lease arrangement, with lease negotiated for original terms for three years. None of the leases includes contingent rentals.

At 31 March 2007, the Group had the total future minimum lease payments under various non-cancellable operating leases falling due as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**899**	899
In the second to fifth years, inclusive	**710**	1,609
	1,609	2,508

Notes to the Financial Statements

28 Employment Retirement Benefit

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the group entities and its Hong Kong employees makes monthly contributions to the Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Scheme Ordinance and up to a maximum of HK$1,000 per employee per month (the "MPF Contributions"). The employees are required to contribute a corresponding amount to the MPF Scheme only if their relevant income is more than HK$5,000 per month. The MPF contributions are fully and immediately vested as accrued benefits to the employees once they are paid.

29 Transactions and Balances with Related Parties

(a) During the year, the Group had significant transactions with the following related parties, together with balances with them as at the balance sheet date, details of which are as follows:

	2007	2006
	HK$'000	*HK$'000*
Associate:		
Revenue sharing income *(Note (i))*	**350**	—
Balance due to the Group as at the balance sheet date *(Note (ii))*	**677**	358
Jointly-controlled entity:		
Management fee paid *(Note (i))*	**—**	80
Balance due to the Group as at the balance sheet date *(Note (ii))*	**—**	36

Notes:

(i) The directors of the Group are of the opinion that the above transactions were entered into at terms agreed by both parties.

(ii) The balances are unsecured, interest free and have no fixed repayment terms.

(b) During both years, compensation of key management personnel represents directors' remuneration, as stated in note 10. The directors' remuneration is determined by the remuneration committee having regard to the performance, responsibilities and experiences of individuals and market trends.

Notes to the Financial Statements

30 Events after the Balance Sheet Date

Business combinations

The Group acquired 60% of the share capital of 北京尚世嘉華諮詢有限責任公司, a company specialising in provision of technical information consultancy services in Beijing, for a cash consideration of HK$1 on 2 May 2007.

Details of net assets acquired and excess of fair value of net assets acquired over consideration are as follows:

	HK$
Purchase consideration:	
— Cash paid	1
— Direct costs relating to the acquisition	—
Total purchase consideration	1
Fair value of net assets acquired — shown as below	(8,636)
Excess of fair value of net assets acquired over consideration	(8,635)

The assets and liabilities arising from the acquisition based on unaudited financial information are as follows:

	Fair Value *HK$*	**Acquiree's carrying amount** *HK$*
Property, plant and equipment	19,206	19,206
Payables	(4,813)	(4,813)
Net assets	14,393	14,393
Minority interests (40%)	(5,757)	(5,757)
Net assets acquired	8,636	8,636

Five Fiscal Years Financial Summary

Results

		(As restated)			
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**21,717**	20,982	20,950	11,534	4,325
Profit/(Loss) attributable to shareholders	**7,849**	(1,322)	(4,167)	(8,544)	(8,750)

Assets and Liabilities

		(As restated)			
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**29,211**	26,038	28,711	30,552	6,801
Total liabilities and minority interests	**(3,440)**	(8,089)	(11,868)	(9,996)	(6,691)
Shareholders' funds	**25,771**	17,949	16,843	20,556	110