



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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8266)

**Interim Report 2007**

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*This report, for which the directors (the “Directors”) of Mobile Telecom Network (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## RESULTS

The board of Directors (the “Directors”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 September 2007, together with the unaudited comparative figures for the corresponding periods in 2006 as follows:

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

*For the three months and six months ended 30 September 2007*

		Three months ended 30 September		Six months ended 30 September	
		2007	2006	2007	2006
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>	2	<b>5,019</b>	5,438	<b>9,854</b>	13,170
Other income		<b>198</b>	9,029	<b>401</b>	9,156
Telecom operators costs		<b>(2,758)</b>	(3,552)	<b>(5,458)</b>	(8,581)
Employment costs		<b>(1,191)</b>	(1,318)	<b>(2,357)</b>	(2,901)
Research and development expenses		<b>(403)</b>	(280)	<b>(775)</b>	(488)
Depreciation of property, plant and equipment		<b>(29)</b>	(22)	<b>(53)</b>	(46)
Other operating expenses		<b>(761)</b>	(1,430)	<b>(1,417)</b>	(2,356)
<b>Operating profit</b>		<b>75</b>	7,865	<b>195</b>	7,954
Finance costs		—	(3)	—	(5)
Share of profit of an associate		<b>19</b>	24	<b>136</b>	144
Share of loss of a jointly controlled entity		—	—	—	(1)
<b>Profit before taxation</b>		<b>94</b>	7,886	<b>331</b>	8,092
Taxation	3	—	—	—	—
<b>Profit for the period</b>		<b>94</b>	7,886	<b>331</b>	8,092
<b>Attributable to:</b>					
Equity holders of the Company		<b>38</b>	7,663	<b>263</b>	7,702
Minority interests		<b>56</b>	223	<b>68</b>	390
		<b>94</b>	7,886	<b>331</b>	8,092
<b>Earning per share for profit attributable to the equity holders of the Company during the period</b>	4				
— basic (HK cent)		<b>0.008</b>	1.62	<b>0.055</b>	1.63
— diluted (HK cent)		<b>0.008</b>	1.59	<b>0.054</b>	1.60

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September and 31 March 2007

		Unaudited 30 September 2007	Audited 31 March 2007
	Notes	HK\$'000	HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		191	139
Interest in an associate	5	6,350	6,139
		<b>6,541</b>	<b>6,278</b>
<b>Current assets</b>			
Trade and other receivables	6	3,006	2,861
Cash and deposits with banks		20,134	20,072
		<b>23,140</b>	<b>22,933</b>
<b>Total assets</b>		<b>29,681</b>	<b>29,211</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		36,930	36,930
Reserves		(10,896)	(11,159)
		<b>26,034</b>	<b>25,771</b>
<b>Minority interests</b>		<b>76</b>	<b>—</b>
<b>Total equity</b>		<b>26,110</b>	<b>25,771</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	7	3,571	3,440
<b>Total liabilities</b>		<b>3,571</b>	<b>3,440</b>
<b>Total equity and liabilities</b>		<b>29,681</b>	<b>29,211</b>
<b>Net current assets</b>		<b>19,569</b>	<b>19,493</b>
<b>Total assets less current liabilities</b>		<b>26,110</b>	<b>25,771</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2007

	Unaudited											
	Attributable to equity holders of the Company										Minority interests	Total equity
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Cumulative translation adjustment	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	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2006	36,930	35,564	16,375	2,943	572	44	—	(74,479)	17,949	637	18,586	
Redemption of convertible notes	—	—	—	—	—	(44)	—	44	—	—	—	
Disposal of subsidiary	—	—	—	—	(62)	—	—	—	(62)	(1,011)	(1,073)	
Profit for the period	—	—	—	—	—	—	—	7,702	7,702	390	8,092	
Balance at 30 September 2006	36,930	35,564	16,375	2,943	510	—	—	(66,733)	25,589	16	25,605	
Balance at 1 April 2007	36,930	35,564	16,375	2,943	510	—	35	(66,586)	25,771	—	25,771	
Profit for the period	—	—	—	—	—	—	—	263	263	76	339	
Balance at 30 September 2007	36,930	35,564	16,375	2,943	510	—	35	(66,323)	26,034	76	26,110	

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30 September 2007*

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2007</b>	<b>2006</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Net cash used in operating activities	<b>(160)</b>	(1,886)
Net cash generated from investing activities	<b>222</b>	7,541
Net cash used in financing activities	<b>—</b>	(402)
Net increase in cash and cash equivalents	<b>62</b>	5,253
Cash and cash equivalents at 1 April	<b>20,072</b>	14,068
Cash and cash equivalents at 30 September	<b>20,134</b>	19,321

## NOTES TO THE CONDENSED INTERIM ACCOUNTS:

### 1. Basis of preparation

These unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34: Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited. The unaudited condensed consolidated interim financial statements have been prepared under the historical cost convention.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2007.

In the current interim period, the Group has applied, for the first time, a new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1st April, 2007.

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new/revised standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) — Int 12	Service Concession Arrangements <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009

<sup>2</sup> Effective for annual periods beginning on or after 1st January, 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

### 2. 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.

## Secondary reporting format — geographical segments

An analysis of the Group's turnover and results for the six months ended 30 September 2007 by geographical locations is as follow:

	Hong Kong/ Macau 2007	Australia 2007	PRC 2007	Singapore 2007	Taiwan 2007	Others* 2007	Total 2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	9,284	190	123	13	200	44	9,854
Segment results	974	93	(109)	11	(183)	11	797
Unallocated costs							(602)
Operating profit							195
Finance costs							—
Share of profit of an associate							136
Share of loss of a jointly controlled entity							—
Profit before taxation							331
Taxation							—
Profit for the period							331
Profit attributable to equity holders							263
Minority interests							68
							331
Segment assets	6,042	—	32	—	142	—	6,216
Interest in an associate							6,350
Unallocated assets							17,115
Total assets							29,681
Segment liabilities	(3,184)	—	(38)	—	(30)	—	(3,252)
Unallocated liabilities							(319)
Total liabilities							(3,571)
Capital expenditure	86	—	—	—	—	—	86
Depreciation of property, plant and equipment	51	—	2	—	—	—	53



An analysis of the Group's turnover and results for the six months ended 30 September 2006 by geographical locations is as follow:

	Hong Kong/ Macau 2006	Australia 2006	PRC 2006	Singapore 2006	Taiwan 2006	Others* 2006	Total 2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	5,178	6,668	—	992	308	24	13,170
Segment results	9,360	334	—	156	(84)	10	9,776
Unallocated costs							(1,822)
Operating profit							7,954
Finance costs							(5)
Share of profit of an associate							144
Share of loss of a jointly controlled entity							(1)
Profit before taxation							8,092
Taxation							—
Profit for the period							8,092
Profit attributable to equity holders							7,702
Minority interests							390
							8,092
Segment assets	21,894	—	—	—	275	—	22,169
Interest in an associate							5,851
Unallocated assets							154
Total assets							28,174
Segment liabilities	(1,571)	—	—	—	(18)	—	(1,589)
Unallocated liabilities							(980)
Total liabilities							(2,569)
Capital expenditure	58	—	—	—	—	—	58
Depreciation of property, plant and equipment	40	3	—	3	—	—	46

\* Others represent turnover generated from Thailand and Vietnam.

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

### 3. 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 profit (six months ended 30 September 2006: Nil). Taxation on overseas profits has been calculated on the estimated profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

### 4. Earning per share

Basic earning per share is calculated by dividing the earning attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Three months ended 30 September		Six months ended 30 September	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	38	7,663	263	7,702
Weighted average number of ordinary shares in issue	472,811,363	472,811,363	472,811,363	472,811,363
Effect of dilutive potential ordinary shares: Options	10,258,113	10,258,113	10,258,113	10,258,113
Weighted average number of ordinary shares for the purposes of diluted earnings per share	483,069,476	483,069,476	483,069,476	483,069,476

### 5. Interest in an associate

	Unaudited 30 September 2007	Audited 31 March 2007
	HK\$'000	HK\$'000
Share of net assets	348	212
Goodwill	5,250	5,250
	5,598	5,462
Due from an associate	752	677
	6,350	6,139

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

- (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, was as follows:

Name	Place of registration	Assets	Liabilities	Revenue	Profit	Interest held
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
廣州流之動資訊 技術有限公司	PRC	1,734	864	1,357	340	40

#### 6. Trade and other receivables

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
Trade receivables	2,373	2,067
Less: Provision for impairment of receivables	—	—
Trade receivables — net	2,373	2,067
Prepayments, other receivables and deposits	1,545	1,706
Less: Impairment losses	912	912
	633	794
	3,006	2,861

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

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

	Unaudited 30 September 2007 HK\$'000	Audited 31 March 2007 HK\$'000
0 to 30 days	1,629	1,265
31 to 60 days	64	434
61 to 90 days	283	45
91 to 180 days	115	124
Over 180 days	282	199
	2,373	2,067

7. Trade and other payables

	Unaudited 30 September 2007	Audited 31 March 2007
	HK\$'000	HK\$'000
Trade payables	2,456	1,930
Accrued expenses	935	923
Other payables	119	575
Deposits received	61	12
	<b>3,571</b>	<b>3,440</b>

The aging analysis of trade payables is as follows:

	Unaudited 30 September 2007	Audited 31 March 2007
	HK\$'000	HK\$'000
0 to 30 days	865	803
31 to 60 days	222	414
61 to 90 days	259	178
Over 90 days	1,110	535
	<b>2,456</b>	<b>1,930</b>

8. Interim dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2007 (2006: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Performance

Turnover for the six-month period ended 30 September 2007 was HK\$9,854,000 representing 25% decreased as compared with the same period last year due to the Group's sale of its subsidiary company Mobilemode in Aug 2006. If eliminating the turnover contributed from the disposal subsidiary Mobilemode in Aug 2006, turnover of the Group for the six-month period was increased by 81% when compared with the period of last year. This increase is mainly attributable by rapid expansion of the operator's outsourcing business in Hong Kong and other new markets. Due to continuous focus on high margin services, gross profit margin continuously improved to 45% for the six-month period, compared to 35% in the same period last year and 44% of the previous three-month period.

### Business Review

The Group is a market leader in the greater China area for the provisioning of multimedia 2.5G & 3G mobility services. The Group's applications for entertainment and informational content are extremely popular among the younger generation. We have coordinated the rights from branded content owners to distribute relevant content via the region's mobile operators' networks. The content and services are being connected through our patented GloDan distribution system.

We have been cooperating with the biggest operator in China, the China Mobile Communications Corporation, for providing various services starting in the Guangdong province and working comprehensively with China Mobile Guangdong in areas include brand promotion, value added services provision, etc. In particular, we are continuing on the promotion and operation of China Mobile (Guangdong)'s M-Zone brand for 3 more years. The Group acts as the enabler to develop all various SMS, MMS, WAP, Ringback-tone, Interactive Voice Recognition, and EDGE mobile values added services (MVAS) to all China Mobile (Guangdong) users.

In last quarter, we assisted China Mobile (Guangdong) in the M-Zone brand activities including the M-Zone New Idols activity planning as well as the construction and operation of the activity supporting platforms. In the same period, we also provided China Mobile (Guangdong) with self-service terminal UI design, WAP, SMS, USSD pocket business centre UI design, pocket business analysis systems R&D services, while continuing to provide them with portal platform consultation and data services strategic promotion consultation services.

In the other 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 Macau, the Group has successfully extended and continually launching our services 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 continued to outsource their MVAR operations to the Group. At present, the Group has entered into major partnerships with games & content developers to distribute their games & content on the region's mobile networks. The Group further assists our games & content partners to enter the other Asian markets through the GloDan system. The Group will continue to provide exceptional service quality & efficiency in the MVAS business. This is likely to lead to more operators to collaborate with us in their MVAS operations.

The mobile entertainment segment is increasingly internet bounded. The Group's Mobilesurf service platform for full entertainment service provisioning is relevant to this trend. Instead of a typical operator wall garden approach to content delivery, the launching of the i-phone brings in internet content such as You-tube & Google map mobile sites in a fashion that is similar to our Mobilesurf service platform. We plan to further expand our Mobilesurf platform to deliver content via the internet.

To this extent, we have partnered with 3HK to launch the SHOWME! blog with our integrating mobile and internet service platform. SHOWME! (<http://www.showme.hk>) is an innovative blogging service supporting 3G, 2G and i-mode mobile services under our service platform. Users of 3HK not only can access this service by using their mobile phone to write messages, they can also upload and publish their photos and videos to their blog by sending MMS to 507777. SHOWME! provides mobile blogging and social networking functions to users. The service has integrated full power of mobile and internet such that at anytime and anyplace users can enjoy the pleasure and fun of blogging and communicating with friends. Users can publish articles; upload photos or videos to their own blog that can be viewed immediately. Contents are updated instantly to the mobile and internet version. Users can also leave messages to other users blog, comment to any content or reply messages left by their friends and visitors.

Mobile games, which we first started as an operator outsourcing business, now grow to become a major MVAS platform for us. 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, Macau CTM, the largest operator in Macau, has appointed the Group to operate its entire mobile gaming business including JAVA games and online multi-players gaming business. Others including 3HK also recognize 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 MVAS business in both 2G and 3G markets.

The Group has formed a partnership with Hands On Mobile to distribute Marvel content on wireless distribution of its rich content pool that brings iconic Marvel Mobile to 3G and 2G mobile users in Hong Kong and other country. Thru our GloDan network, Marvel Mobile has recently been made available to Hong Kong subscribers and the services are also available in various forms, including graphic images, audio, 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 mobile entertainment experience has becoming richer and user-friendlier thus delivering more real value for the subscribers. In this period, the Group has worked with Fortune Star, a subsidiary of Star TV to deliver its branded content and Interactive gaming in the region. By becoming a leader in 3G services provisioning in the advance mobile markets such as Australia, Hong Kong, Macau, Singapore & Taiwan, the Group continues to strengthen its position in the region. We also continue to deploy new 2G services into the newer market such as Indonesia, Vietnam, Sir Lanka, etc. in order to fully utilize our past developments & services.

## Prospects

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 very soon. We focus on expanding our PRC position by forming a joint venture operation in Beijing and exploring opportunities in various provinces. We expand content aggregation business to include IP rights management for our partners. For some of the new market such as Vietnam, Sri Lanka, 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. In addition, the Group will also share its experience and strategy of our successful services with operators in new market in order to achieve the mutual benefit between both parties.

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 blogging & messaging with the subscribers in combination with 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.

Youth targeted lifestyle applications & services such as dating services, mobile blogging, and mobile comics are also gaining popularity in Hong Kong. Operators are expecting a high demand for Internet-based, interactive, multimedia mobile communication services such as chat, video, and interactive games in the near term. Although Hong Kong is still a small market, the Group is expected to achieve a high growth in the medium term. Two main drivers for the growth would be popularity of the mobile gaming and mobile blogging.

The uptake of 3G services into 3.5G technologies will also bring a shift in the dynamics of the market in Asia. As the market is likely to move to a more advanced Internet and multimedia-based content, we plan to ride on our existing advantages and experience to provide a variety of rich-media content with operators across the Asia market. The overview revenue in other markets is expected to achieve a high growth in the next quarter over the forecast period.

In future business development in China, the Group will continue to participate in China Mobile (Guangdong)'s M-Zone annual event, which starts in August 2007 and the cooperation with China Mobile (Shenzhen) on its WAP Online Business Centre. 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. Later in October we will start the GoTone brand promotion activities, and assist China Mobile (Guangdong) in the construction of KJava Pocket Business Centre.

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. We continue to work steadily with partners in other regions such as Korea, Indonesia, the Philippines, Sri Lanka, Thailand and Vietnam. We plan to develop our 3G services in term of advances in technology, customer services, user experience and quality of services as our strongest differentiation from any competitors in the region.

### **Sales and Marketing**

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 Macau for many years. To complete our connectivity with the major PRC provinces enable us to become the premier 3G services enabler in the PRC.

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, Indonesia, Sri Lanka, Taiwan and Vietnam. The Group believes that more existing MVAS business can be extended to more operators in Asia Pacific and will be expanding operation through partnership and/or acquisition in those countries.

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.

### **Liquidity and Financial Resources**

The Group generally financed its operation and investment activities with internally generated cash flows. As at 30 September 2007, the Group had net current assets of approximately HK\$19,569,000 (as at 31 March 2007: approximately HK\$19,493,000), of which approximately HK\$20,134,000 (as at 31 March 2007: approximately to HK\$20,072,000) were cash and bank balances. 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 0.14 as at 30 September 2007 (as at 31 March 2007: 0.13).

### **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.

## **Capital Structure**

There was no change in the capital structure of the Group as at 30 September 2007 as compared with that as at 31 March 2007.

## **Material Acquisitions/Disposal and Significant Investments**

The Group had no material acquisitions or disposals during the six-month period.

## **Charges on Group's Assets**

As at 30 September 2007, the Group did not have any charges on the Group's assets.

## **Contingent Liabilities**

As at 30 September 2007, the Group did not have any contingent liabilities.

## **Employee Information**

As at 30 September 2007, the Group had a total of 23 employees in Hong Kong and China. 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\$3,132,000 during the period under review (2006: approximately to HK\$3,389,000). 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.

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

As at 30 September 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 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of Directors	Capacity	Number of Shares held	Approximately percentage of issued share capital
Dr. Chan Chung	(Note)	177,785,861	37.6%
Mr. Chan Wai Kwong, Peter	Beneficial owner	4,064,036	0.9%
		181,849,897	38.5%

Notes: 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.

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

Name of Directors	Capacity	Date of grant	Number of underlying Shares	Approximate percentage of issued share capital	Option Period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
Dr. Chan Chung (Note)	Beneficial owner	27 March 2003	300,000	0.063%	9 May 2003 — 8 May 2013	1.00	0.103
		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
			<u>5,128,113</u>	<u>1.084%</u>			

*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 was 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 announcement, 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 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

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

The register of Substantial Shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 September 2007, the Company had been notified of the following Substantial Shareholders' interest 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 shareholder	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%
UOB.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%
			<hr/>
			75.2%

#### Notes:

1. Silicon, a company incorporated in the British Virgin Islands, is an investment holding company. Silicon is directly and 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](http://www.hkgem.com). According to the latest interim report of Vodatel, as at 30 June 2007, Mr. Jose Manuel dos Santos and LRL were both interested or deemed to be interested in more than one-third of the then issued share capital of Vodatel.
3. Culturecom is deemed, by virtue of SFO, to be interested in the 31,902,233 Shares held by Go Capital Limited as Go Capital Limited is a direct wholly-owned subsidiary of Culturecom Investments Limited which is a direct wholly-owned subsidiary of Culturecom Holdings (BVI) Limited, a direct wholly-owned subsidiary of Culturecom. Culturecom is a company incorporated in Bermuda whose shares are listed on the Main Board (Stock code 343). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Culturecom or in accordance with whose directions or instructions Culturecom or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Culturecom is interested under the SFO will be deemed to be interested in the 31,902,233 Shares which Culturecom is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Culturecom can be found in the information published by Culturecom from time to time and from the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk). According to the latest annual report of Culturecom, as at 31 March 2007, no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.
4. UOB is deemed, by virtue of the SFO, to be interested in the 27,495,584 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](http://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](http://www.hkex.com.hk).

## SHARE OPTIONS RULES

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

Pursuant to the Share Option Scheme and 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 Share Option Scheme and Pre-IPO Share Option scheme outstanding as at 30 September 2007 are set out as below:

### Pre-IPO Share Option Scheme

Name	Date of grant	Number of Share Options				Outstanding as at 30 September 2007	Approximate percentage of issued share capital	Option Period	Consideration for the grant of the option	Exercise price per share
		Outstanding as at 1 April 2007	Transferred during the period under review	Exercised during the period under review	Lapsed during the period under review					
HK\$										
HK\$										
<b>Executive Directors</b>										
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
<b>Other Participants</b>										
Employees in aggregate (Note)	27 March 2003	785,000	—	—	—	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
<b>Business Consultant</b>										
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 Share Option Scheme have been exercised and cancelled during the period under review.

## Share Option Scheme

		Number of Share Options								
		Outstanding as at 1 April 2007	Granted during the period under review	Exercised during the period under review	Lapsed during the period under review	Outstanding as at 30 September 2007	Approximate percentage of issued share capital	Option Period	Consideration for the grant of the option	Exercise price per share
Name	Date of grant								HK\$	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.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## COMPETING INTERESTS

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

## CORPORATE GOVERNANCE CODE COMPLIANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the six-month period.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has complied with the GEM Listing Rules 5.48 to 5.67 regarding Directors' securities transactions and all Directors have complied with the required standard of dealings set out therein throughout the six-month period.

## 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. The audit committee has reviewed with the management this unaudited interim report for the six months end 30 September 2007 and has provided advice and comments thereon.

By Order of the Board

**Chan Chung**

*Chairman*

Hong Kong, 7 November 2007

*As at the date of this report, the Board comprises of two executive directors namely Dr. Chan Chung (Chairman) and Mr. Chan Wai Kwong, Peter; and three independent non-executive directors namely Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai and Mr. Chen Kwok Wang.*