Mobile Telecom Network (Holdings) Limited

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

Annual Report

2008

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

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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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
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Hong Kong

PRINCIPAL BANKER

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4-4A Des Voeux Road Central
Hong Kong

WEBSITE

www.mtelnet.com

STOCK CODE

8266

Chairman's Statement

OPERATING RESULTS

I'm pleased to report that the Mobile Telecom Network (Holdings) Limited has remained profitable for the financial year 2007/2008. The turnover for the year has declined by 9.1% as compared with the previous financial year due to the effect of sale of its subsidiary Mobilemode in August 2006. The turnover of the group has actually grown 15.7% during the period for the six months October 2007 to March 2008 as compared with same period for financial year 2006/2007 subtracting out the contribution from Mobilemode. The margin of gross profit has also improved by 4.4% as a result of shifting focus to high margin outsourcing business. Profit for the year attributable to the equity holders of the Group was actually increased to HK$382,000 as compared with the previous financial year where a net loss of HK$1,111,000 will be recorded if eliminating the effect of gain on disposal of Mobilemode. If included the disposal gain of Mobilemode, the profit for the year attributable to the equity holders of the Group actually decreased by 95.1%. The Directors do not recommend the payment of a final dividend.

OVERVIEW

The Group is a technology 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. Recent projects include the developments of e-channels and new businesses. On e-channels development, the objective is the elevation of web portals, WAP business transaction and SMS business transaction volume. On new business development, the objective is the elevation of new products users for Fetion, mobile newspaper, mobile music, etc.

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 content portfolios and our large library of offerings in 3G service provisioning in Hong Kong and Macau, the Group has successfully extended and continually expanded our services to Malaysia, Pakistan, Singapore, Sri Lanka, Vietnam and Indonesia.

Chairman's Statement

In the Hong Kong market, the Group launches the mobile football interactive gaming services with Hutchison 3HK and SmarTone-vodafone in early 2008. The Group starts to deploy mobile content services that focus on the interactive aspect and create unique applications that simulate users' interest and enjoyment. For mobile game business, the Group has entered into major partnerships with games & content developers to distribute their games & content on the region's mobile networks and we are now signing more than 80+ games & content developers. We further assist our games & content partners to enter the other Asian markets through the GloDan system to streamline the workflow of game launch. The Group has launched a JAVA Games Portal with Mobilink, the largest mobile subscribers in Pakistan market to deliver the latest JAVA games and a range of mobile value-added services. 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 Internet content such as YouTube & 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 and look for i-phone type opportunities in China.

Apart from the licensed content business, the Group through Hutchison 3HK launched the first user-generated content service named SHOWME! which integrates mobile and internet service platform. SHOWME! (http://www.showme.hk) is an innovative blog service supporting 3G, 2G and I-mode mobile services under our service platform. 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. The platform includes a real-time multimedia decode/encode engine which let users share multimedia content across mobile and Internet platform on the fly. The Group partnerships with Jim Chim Sui-Man, the Hong Kong famous stage actor and comedian to launch an official Internet and Mobile Blog service with the joint promotion with PIP and 3HK of the Jim One Man Drama Show in January 2008 and the "A Midsummer Night's Dream" Drama Show in March 2008. SHOWME! is supported by a substantial multi-media marketing campaign across consumer magazine, movie distributors and radio station etc. The objective is to recruit more target audience in different segments in order to leverage the SHOWME! platform. Because of this platform, we have been awarded the Best Ubiquitous Networking (Mobile Infotainment Application) Certificate of Merit in Hong Kong ICT Awards 2007.

Chairman's Statement

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, Pakistan, Vietnam, Sri 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 recognise the Group of its experience and expertise in gaming business and consider 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 Bandai to distribute Bandai content on wireless distribution of its rich content pool that brings iconic branded titles such as Tamagotchi and Gundam content to 3G and 2G mobile users in Hong Kong and other countries. 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, personalised and located to the market.

The mobile entertainment experience has been becoming richer and user-friendlier thus delivering more real value for the subscribers. In this period, the Group has worked with The Total Sports Asia, a leading sports media agent, to deliver its branded sport 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, Sri Lanka, etc. in order to fully utilise our past developments & 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, 16 June 2008

Management Discussion and Analysis

BUSINESS REVIEW

Financial Performance

The Mobile Telecom Network (Holdings) Limited has remained profitable for the financial year 2007/2008. The turnover for the year has declined by 9.1% as compared with the previous financial year due to the effect of sale of its subsidiary Mobilemode in August 2006. The turnover of the Group has actually grown 15.7% during the period for the six months October 2007 to March 2008 as compared with same period for financial year 2006/2007 subtracting out the contribution from Mobilemode. The margin of gross profit has also improved by 4.4% as a result of shifting focus to high margin outsourcing business. Profit for the year attributable to the equity holders of the Company was actually increased to HK$382,000 as compared with the previous financial year where a net loss of HK$1,111,000 will be recorded if eliminating the effect of gain on disposal of Mobilemode. If included the disposal gain of Mobilemode, the profit for the year attributable to the equity holders of the Company actually decreased by 95.1%. The Directors do not recommend the payment of a final dividend.

Segmental Information

Among the various markets in the Asia Pacific region, Hong Kong/Macau is the main revenue contributors to the Group, accounting for 94.9% (2007 Hong Kong/Macau: 59.6%) of the Group's turnover, while Singapore, Taiwan and Australia generated approximately 0%, 1.9% and 1.8% respectively (2007 Singapore: 4.7% and Taiwan: 2.6% and Australia: 32.7%).

New Products and Services

The Group has upgraded its MobileSurf platform for supporting operators to create seamless mobile data services including the necessary analytical tools and integration modules. We leverage our long experience in mobile services provisioning with diverse operator requirements and user interests into a MobileSurf platform that comprises best of class operations for next generation mobile services to mobile network operators focusing on mobile data services.

New services offerings expanded in different categories with well-brands international companies. These categories included Sports, Fortune, Entertainment, Movie, Lifestyle, Cartoon, etc. Some of the more unique services include the following:

Hong Kong, February 2008 — MTel launches the mobile football video quiz games service with Hutchison 3HK. Depending on your football knowledge, the video quiz game has lots to offer with a long term challenge among with other players and the scoring aspect creates a unique and enjoyable quiz game with prizes sponsored by Adidas.

Management Discussion and Analysis

Hong Kong, February 2008 — MTel launches the Mobile Football Manager service with Hutchison 3HK and SmarTone-Vodafone. This service allows you to set up & manage your own fantasy team selected from the players in the EPL league. The overall winners will win the special prizes that are sponsored by Adidas.

Indonesia, March 2008 — MTel cooperates with Hutchison 3 Indonesia to launch a Football Live score service for mobile users. All real-time football information including Live score, Table Ranking, Top Scorers, and much more.

Pakistan, March 2008 — MTel launches the JAVA Games Portal with Mobilink in Pakistan market. The Group aims to provide more value-added content & services with Mobilink and extend the distribution channels into other mobile operators in Pakistan market.

Indonesia, March 2008 — MTel launches the promotion of Bandai mobile content with Hutchison 3 Indonesia. This promotion offers two well-known Japanese brands from a series of Tamagotchi and Gundam mobile content.

Hong Kong, March 2008 — MTel launches an official “A Midsummer Night’s Dream, Jim Chim Sui-Man Drama” Internet and Mobile SHOWME! Blogsite with Hutchison 3HK. This is joint promotion between PIP and Hutchison 3HK to deliver the web & mobile blogging site, photo & video sharing, & other related information.

China, January 2008 — MTel China successfully promoted/launched the Charge-saving Tips event for China Mobile, Guangdong, with the aim of guiding end-users to use China Mobile businesses in a proper way.

China, January 2008 — MTel China successfully promoted/launched the Fetion Lunar New Year event for China Mobile, Guangdong.

China, January 2008 — MTel China assisted China Mobile, Guangdong, in the formulation of the year’s Main New Products Business Marketing Plan.

China, February 2008 — MTel China successfully promoted/launched the Fetion Blogging event for China Mobile, Guangdong.

China, March 2008 — MTel China successfully promoted the Online Recharging Service for China Mobile, Guangdong.

China, March 2008 — MTel China cooperated with China Mobile, Guangdong, to launch the New Products Human-oriented Internet Marketing research project.

Management Discussion and Analysis

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 and our Taiwanese subsidiary company. 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. In addition, the Group will expand more professionals and operations in PRC team in order to support the operation and development in Hong Kong and overseas business. This move will let us further maximize the margin of our revenues with cost control 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 and regional markets.

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, Pakistan, 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.

Management Discussion and Analysis

PROSPECT

The mobile entertainment market is getting increasingly competitive with major corporations creating new companies or divisions to enter this market in a major way. The Group will explore new opportunities to diversify its main dependence on mobile service provisioning. We 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. We also plan to look more aggressively at partnerships or acquisitions particularly for the Chinese market. It is widely expected that China will issue one or more 3G licenses very soon. We have expanded our PRC position by forming a joint venture operation in Beijing and continued exploring opportunities in various provinces and other mobile related businesses.

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 and defined the solid business cases for them in order to maximise the revenue and minimise 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 advanced 3G markets such as Australia, Hong Kong, Malaysia, Singapore and Taiwan, the Group believes diversification of multi-media with interactive 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 plans to expand our offerings to more operators there. The Group will develop applications and create more interactive services with the 3G operators to bring 3G technologies to the business and the consumer markets. Once the market acceptance has adopted and increased more traffic in hit rates of individual service, the mobile advertising will be the next curve into the business.

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. The Group believes SHOWME!, the user-generated content revolution has begun and will become into a mainstream business in mobile arena.

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 behaviors 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 totaling several hundreds further positions the Group to capture more business opportunities as they quickly emerge in the PRC market.

Management Discussion and Analysis

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 in the PRC. In addition, the Group believes its business model can be extended into other new market such as Vietnam, Pakistan, 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. In term of Internet strategy, the Group believes the trend to deliver the same communication services to end-user over both Internet and mobile networks will determine the future access. The Group shall extend our force to explore with the strategic partnerships to extend its services into Internet platform as extension.

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 started 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. As scheduled for the first quarter of 2008, we will start the Fetion promotion planning, e-channels promotion planning, Internet banking add-value/payment promotion planning.

The Group is focusing its business to serve the various brands to mobilise 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 optimised 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.

Management Discussion and Analysis

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, Pakistan, Thailand and Vietnam. We plan to develop our 2G & 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.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a stable financial position. As at 31 March 2008, the Group had net current assets of approximately HK$19,560,000 (2007: HK$19,493,000), of which approximately HK$20,019,000 (2007: HK$20,072,000) were cash and deposits with banks. The Group's other current assets recorded at 31 March 2008 mainly comprised approximately HK$3,695,000 in trade receivables, other receivables, deposits and prepayments which increased by 29.1% when compared with previous financial year. Current liabilities of the Group increased by 20.7% to HK$4,154,000. The Group did not have any long-term liabilities as at 31 March 2008.

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

GEARING RATIO

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.16 as at 31 March 2008 (2007: 0.13).

FOREIGN EXCHANGE EXPOSURE

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

CAPITAL STRUCTURE

There was no change in the capital structure of the Group as at 31 March 2008 as compared with that as at 31 March 2007.

MATERIAL ACQUISITION AND DISPOSAL

As at 31 March 2008, the Group had no material acquisition or disposal during the year.

Management Discussion and Analysis

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2008, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at 31 March 2008, the Group did not have any contingent liabilities.

EMPLOYEE INFORMATION

As at 31 March 2008, the Group had a total of 20 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$6,644,000 for the year ended 31 March 2008 (2007: HK$6,274,000). 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 51, 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 54, 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), which 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 45, 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 41, 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 a senior manager of Mitex, a record management and logistics 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 45, 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 32, is the Financial Controller, 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 32, 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 31, 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 herewith their report together with the audited financial statements of the Company and the Group for the year ended 31 March 2008.

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 report 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 report and financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 35.

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.

Report of the Directors

BANK BORROWINGS

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

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 2008 is set out on page 102.

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 2008 are set out as below:

		Number of share options								
Name	Date of grant	Outstanding as at 1 April 2007	Transferred during the year under review	Exercised during the year under review	Lapsed during the year under review	Outstanding as at 31 March 2008	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	785,000	(190,000)	–	–	595,000	0.126%	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
	12 February 2008	–	190,000	–	–	190,000	0.04%	12 February 2008 – 11 February 2018	1.00	0.191
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 2007/8 as below:

		Number of share options								
Name	Date of grant	Out-standing as at 1 April 2007	Granted during the year under review	Ex-ercised during the year under review	Lapsed during the year under review	Out-standing as at 31 March 2008	Approxi-mate percentage of issued share capital	Option period	Con-sideration for t`he grant of the option *HK$*	Ex-ercise price per Share *HK$*
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
	12 February 2008	—	4,728,113	—	—	4,728,113	1%	12 February 2008 - 11 February 2018	1.00	0.191
		4,728,113	4,728,113	—	_	9,456,226	2%			

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

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.

Report of the Directors

SHARE OPTIONS RULES *(Continued)*

(ii) Share option scheme *(Continued)*

(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.

(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

Report of the Directors

SHARE OPTIONS RULES *(Continued)*

(ii) Share option scheme *(Continued)*

(d) Granting options to connected persons *(Continued)*

(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.

(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.

Report of the Directors

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

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. Chu Chin Tai, Eric retires by rotation at the forthcoming annual general meeting of the Company and, being eligible, offers himself for re-election.

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 10(a) and 10(b) 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, 06 March 2006, 31 March 2006, respectively. The term of service agreement was renewed in March 2008 for two years until 27 March 2010, 06 March 2010 and 31 March 2010 respectively.

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).

Report of the Directors

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 13.

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

As at 31 March 2008, 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 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%

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 *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
		12 February 2008	4,728,113	1.000%	12 February 2008 – 11 February 2018	1.00	0.191
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
			9,856,226	2.084%			

Note: Share options to Dr. Chan Chung and Mr. Chan Wai Kwong, Peter were granted under (the "Pre-IPO share option scheme") and (the "Share Option Scheme") which were approved by the shareholders of the Company on 27 March 2003. 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 2008, 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%

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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY *(Continued)*

Long positions in Shares – interest in the Shares *(Continued)*

Notes: (Continued)

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 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. According to the latest interim report of Culturecom, as at 30 September 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. According to the latest annual report of UOB, as at 31 December 2007, no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY *(Continued)*

Long positions in Shares – interest in the Shares *(Continued)*

Notes: (Continued)

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.

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	55.5%
— five largest suppliers combined	72.2%
Sales	
— the largest customer	66.4%
— five largest customers combined	94.4%

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.

Report of the Directors

CONNECTED TRANSACTIONS

During the year ended 31 March 2008, 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 page 29 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, Eric, Mr. Chen Kwok Wang, Kester. 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 2008 have been reviewed by the audit committee of the Company.

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.

Report of the Directors

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, 16 June 2008

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 2008. The following summarizes the corporate governance practices of the Company and the explained deviations, if any, from the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in GEM Listing Rules 5.48 to 5.67 as the code of conduct regarding Directors' securities transaction of the Company. The Company has made specific enquiry of all Directors, all Directors confirmed that they 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 2008.

BOARD OF DIRECTORS AND BOARD MEETING

The Board of Directors (the "Board") of the Company 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 pages 13 to 14 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 judgement 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)*

The Company confirmed that it has received from each of the Independent Non-executive Directors who has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers 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. No Independent Non-executive Directors has served the Company for more than nine years.

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.

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

Executive Directors

Dr. Chan Chung *(Chairman)*	5/5
Mr. Chan Wai Kwong, Peter	5/5

Independent Non-executive Directors

Mr. Jeffery Matthew Bistrong	1/5
Mr. Chu Chin Tai, Eric	4/5*
Mr. Chen Kwok Wang, Kester	5/5

* Mr. Chu Chin Tai, Eric provided a notice of appointment of alternative director for appointment of Mr. Chen Kwok Wang, Kester 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 or reasonable notice by any Directors.

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman is responsible for management of the Board and strategic planning of the Group, ensures that the Board works effectively and discharges its responsibilities, encourages all directors to make a full and active contribution to the Board's affairs and takes 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.

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 to be 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 2008, approximately HK$260,000 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 meetings of the audit committee have been held to review the annual, first quarterly, interim and third quarterly financial reports with the following attendances:

Corporate Governance Report

AUDIT COMMITTEE *(Continued)*

Committee members:

Mr. Jeffery Matthew Bistrong	3/4
Mr. Chu Chin Tai, Eric	4/4
Mr. Chen Kwok Wang, Kester	4/4

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 be 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.

INVESTORS RELATIONS

The Company's website offers communication channel between the Company and its shareholders and investors. Apart from disclosure of all necessary information to the shareholders in compliance with the GEM Listing Rules, news update of Company's business development and operation are available on the Company's website.

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 35 to 101, which comprise the consolidated and Company balance sheets as at 31 March 2008, 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 of the Group as at 31 March 2008 and of the Group's profit and cash flows 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, 16 June 2008

Consolidated Income Statement

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	6	**19,742**	21,717
Other income and gains, net	6	**941**	10,191
Telecom operators costs		**(11,017)**	(13,074)
Employment costs		**(5,148)**	(5,158)
Research and development expenses		**(1,496)**	(1,116)
Depreciation of property, plant and equipment		**(114)**	(94)
Other operating expenses		**(2,861)**	(4,078)
Operating profit	7	**47**	8,388
Finance costs	8	**—**	(8)
Share of profit of an associate		**334**	105
Share of loss of a jointly controlled entity		**—**	(1)
Profit before taxation		**381**	8,484
Taxation	11	**(8)**	(261)
Profit for the year		**373**	8,223
Attributable to:			
Equity holders of the Company	12	**382**	7,849
Minority interests		**(9)**	374
		373	8,223
Earnings per share for profit attributable to the equity holders of the Company during the year	13		
— basic		**0.08 cent**	1.66 cents
— diluted		**0.08 cent**	1.62 cents

The notes on pages 41 to 101 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**162**	139
Interest in an associate	16	**6,738**	6,139
		6,900	6,278
Current assets			
Trade and other receivables	18	**3,695**	2,861
Cash and deposits with banks	19	**20,019**	20,072
		23,714	22,933
Total assets		**30,614**	29,211
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	20	**36,930**	36,930
Reserves	22	**(10,470)**	(11,159)
Total equity		**26,460**	25,771
LIABILITIES			
Current liabilities			
Trade and other payables	23	**4,154**	3,440
Total liabilities		**4,154**	3,440
Total equity and liabilities		**30,614**	29,211
Net current assets		**19,560**	19,493
Total assets less current liabilities		**26,460**	25,771

The notes on pages 41 to 101 are an integral part of these consolidated financial statements.

Balance Sheet

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	15	—	759
Current assets			
Prepayments and other receivables		223	203
Cash and deposits with banks	19	17,331	16,584
		17,554	16,787
Total assets		17,554	17,546
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	20	36,930	36,930
Reserves	22	(19,529)	(20,020)
Total equity		17,401	16,910
LIABILITIES			
Current liabilities			
Other payables	23	153	636
Total liabilities		153	636
Total equity and liabilities		17,554	17,546

The financial statements were approved and authorised for issue by the Board of directors on 16 June 2008.

Chan Chung
Chairman

Chan Wai Kwong, Peter
Director

The notes on pages 41 to 101 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

		Attributable to equity holders of the Company					
		Share capital	**Share premium**	**Other reserves**	**Accumulated losses**	**Minority interests**	**Total**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 April 2006		36,930	35,564	19,934	(74,479)	637	18,586
Recognition of share option benefits at fair value	*22(a)*	—	—	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
Recognition of share option benefits at fair value	*22(a)*	—	—	277	—	—	277
Currency translation differences		—	—	30	—	—	30
Acquisition of a subsidiary	*26(a)*	—	—	—	—	9	9
Profit/(loss) for the year		—	—	—	382	(9)	373
Balance at 31 March 2008		36,930	35,564	20,170	(66,204)	—	26,460

The notes on pages 41 to 101 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Operating activities			
Profit before taxation		**381**	8,484
Adjustments for:			
Share option benefits	*22(a)*	**277**	35
Depreciation of property, plant and equipment	*14*	**114**	94
Excess on fair value of net assets acquired over cost of acquisition of interest in a subsidiary	*6*	**(13)**	—
Allowance for impairment of bad and doubtful debts	*7*	**—**	924
Gains on disposal of subsidiaries	*6*	**—**	(8,960)
Interest income	*6*	**(752)**	(456)
Interest expenses	*8*	**—**	8
Share of profit of an associate		**(334)**	(105)
Share of loss of a jointly controlled entity		**—**	1
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
Increase in trade and other receivables		**(763)**	(1,212)
Increase in trade and other payables		**709**	435
Cash used in operations		**(381)**	(752)
Overseas taxation paid		**(8)**	(261)
Net cash used in operating activities		**(389)**	(1,013)
Investing activities			
Acquisition of a subsidiary, net of cash acquired	*26(a)*	**9**	—
Additional investment in an associate		**(218)**	—
Net increase in amount due from an associate		**(47)**	(319)
Net increase in amount due from a jointly controlled entity		**—**	(5)
Purchase of property, plant and equipment	*14*	**(116)**	(75)
Proceeds from disposal of subsidiaries	*26(b)*	**—**	7,421
Interest received		**678**	402
Decrease/(increase) in bank deposits		**7,875**	(12,000)
Net cash generated from/(used in) investing activities		**8,181**	(4,576)

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Financing activities			
Payment for convertible notes	24	—	(400)
Interest paid		—	(7)
Net cash used in financing activities		—	(407)
Net increase/(decrease) in cash and cash equivalents		**7,792**	(5,996)
Cash and cash equivalents at beginning of the year		**8,072**	14,068
Effect of foreign exchange rates changes		**30**	—
Cash and cash equivalents at the end of the year	19	**15,894**	8,072

The notes on pages 41 to 101 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") are 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

(a) Statement of compliance with Hong Kong Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared under the historical cost convention.

A summary of the significant accounting policies adopted by the Group is set out below.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Statement of compliance with Hong Kong Financial Reporting Standards *(Continued)*

The preparation of these 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 HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March 2008.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and minority interests *(Continued)*

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

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 for by the Company on the basis of dividends received and receivable.

(d) Associates and jointly controlled entities

Associate are all entities, not being a subsidiary nor a jointly controlled entity, over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights. Investments in associates are accounted for by the entity method of accounting and are initially recognised at cost. The Group's investment in associates include goodwill (net of any accumulated impairment loss) identified on acquisition (see note 2(e)).

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which the Group has an partnership or other entity in which the Group has an interest. A joint venture is a contractual arrangement whereby the Group and one or more of other parties undertake an economic activity that is subject to joint control, which is the contractually agreed sharing of control over an economy activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Associates and jointly controlled entities *(Continued)*

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is classified as held for sales (or included in a disposal group that is classified as held for sale). The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investments in associates and jointly controlled entities recognised for the year.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Group's balance sheet, its investments in associates and jointly controlled entities are stated at cost less impairment losses, unless they are classified as held for sale (or included in disposal group that is classified as held for sale).

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) 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(j)). 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.

(f) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses. A discontinued segment is separately presented from continuing segments.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Translation of foreign currencies

(i) 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.

(ii) 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, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) 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

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Translation of foreign currencies *(Continued)*

(iii) Group companies *(Continued)*

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, 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.

(h) 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(j)). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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.

Property, plant and equipment are depreciated sufficient to write off their costs, less accumulated impairment losses and residual values, if any, using the straight-line method over their estimated useful lives. The principal annual rates used for this purpose are 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)*

(h) 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 an item of property, plant and equipment, 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.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(i) 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 2008 were expensed as no expenditure met the criteria for deferral.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than investments in subsidiaries, associates and jointly controlled entities: see note (ii) below) and other current and non-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. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtors;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(i) ***Impairment of investments in debt and equity securities and other receivables*** *(Continued)*

— For trade and other current receivables and other financial assets 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 rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors whose recovery is considered doubtful but not remote. In this case, the allowance for impairment of bad and doubtful debts is recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

(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 decreased:

— property, plant and equipment (other than properties carried at revalued amounts);

— investments in subsidiaries, associates and joint ventures (except for those classified as held for sale or included in a disposal group that is classified as held for sale);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.

— *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-generating unit).

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Impairment of assets *(Continued)*

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

— *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.

(k) Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates their classification at every balance sheet date.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Trade and other receivables and cash and deposits with banks in the balance sheet are classified as loans and receivables.

Loans and receivables are recognised initially at fair value, plus transactions costs incurred and are subsequently carried at amortised cost using the effective interest method.

(l) Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less any allowance for impairment of bad and doubtful debts, 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 allowance for impairment of 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 allowance for impairment of bad and doubtful debts.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Convertible notes that contain an equity component

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability components is recognised as the equity components. Transactions costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the share issued. If the note is redeemed, the capital reserve is released directly to accumulated losses.

(n) Trade and other payables

Trade and other payables are initially measured at fair value. Except for financial guarantee liabilities (if any) measured in accordance with note 2(s), trade and other payables are subsequently stated 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; and

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

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(p) 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.

Where any group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(q) 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)*

(q) 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 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 Company 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.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Income tax *(Continued)*

Deferred tax is provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the 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 substantively 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 and liabilities are not discounted.

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.

At each balance sheet date, the Group reviews and assesses the recognised and unrecognised deferred tax assets and the future taxable profit to determine whether any recognised deferred tax assets should be derecognised and any unrecognised deferred tax assets should be recognised.

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

(s) 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.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) ***Financial guarantees issued*** *(Continued)*

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(s)(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(s)(iii) below. Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(s)(iii) below.

Notes to the Financial Statements

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

(s) **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 or the Company 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.

(t) **Revenue recognition**

Provided it is probable that the economic benefits will flow to the Group and the revenue and the costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

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

(ii) Interest income is recognised as it accrues using the effective interest method.

(iii) Consultancy fee income is recognised when services are rendered.

(u) **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.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Related parties

For the purposes of these financial statements, a party is considered to be 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. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new and revised HKFRS and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*. These disclosures are provided throughout these financial statements, in particular in note 30.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 30.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective for the current accounting period (see note 33).

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) Allowance for impairment of bad and doubtful debts

The Group makes allowance for impairment of bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of bad and 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 allowances for impairment losses in the period in which such estimate 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.

Notes to the Financial Statements

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

(b) Income tax and deferred tax *(Continued)*

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.

(c) Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2(j). The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates.

5. SEGMENT INFORMATION

Primary reporting format — Business segments

No analysis of the Group's turnover and its contribution to profit before taxation by principal activities for the years ended 31 March 2008 and 2007 are presented as more than 90% of the Group's total revenue, results and total assets related to the business of 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/ Macau 2008 *HK$'000*	Australia 2008 *HK$'000*	Singapore 2008 *HK$'000*	Taiwan 2008 *HK$'000*	Others* 2008 *HK$'000*	Total 2008 *HK$'000*
Turnover	18,734	357	1	382	268	19,742
Segment results	2,414	187	—	(434)	(165)	2,002
Unallocated costs						(1,955)
Operating profit						47
Finance costs						—
Share of profit of an associate						334
Profit before taxation						381
Taxation						(8)
Profit for the year						373
Profit attributable to equity holders						382
Minority interests						(9)
						373
Segment assets	6,137	—	—	129	56	6,322
Interest in an associate						6,738
Unallocated assets						17,554
Total assets						30,614
Segment liabilities	(3,857)	—	—	(40)	(104)	(4,001)
Unallocated liabilities						(153)
Total liabilities						(4,154)
Capital expenditure	116	—	—	—	—	116
Depreciation of property, plant and equipment	110	—	—	—	4	114

Notes to the Financial Statements

5. SEGMENT INFORMATION *(Continued)*

Secondary reporting format — geographical segments *(Continued)*

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

	Hong Kong/ Macau 2007 *HK$'000*	Australia 2007 *HK$'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

* *Others represent turnover generated from Thailand, Vietnam, Indonesia, Malaysia and PRC.*

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:

	2008 *HK$'000*	2007 *HK$'000*
Turnover		
Service fees from provision of mobile data solutions and related services	**19,606**	21,717
Provision of consultancy services	**136**	—
	19,742	21,717
Other income		
Interest income	**752**	456
Excess on fair value of net assets acquired over cost of acquisition of interest in a subsidiary *(Note 26(a))*	**13**	—
Sundry income	**124**	775
	889	1,231
Gains, net		
Exchange gains	**52**	—
Gains on disposal of subsidiaries *(Note 26(b))*	**—**	8,960
	941	10,191
	20,683	31,908

Notes to the Financial Statements

7. OPERATING PROFIT

Operating profit is stated after charging the following:

	2008	2007
	HK$'000	*HK$'000*
Auditors' remuneration		
— Current year	**256**	233
— Under-provision in prior year	**—**	24
Depreciation of property, plant and equipment	**114**	94
Staff costs, including directors' emoluments and amount classified as research and development expenses *(Note 9)*	**6,644**	6,274
Operating lease rentals of premises and facilities	**1,160**	1,123
Allowance for impairment of bad and doubtful debts	**—**	924
Share of associate's taxation	**42**	30

8. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
Interest on convertible notes *(Note 24)*	**—**	1
Other interest	**—**	7
	—	8

9. STAFF COSTS

	2008	2007
	HK$'000	*HK$'000*
Wages and salaries	**6,231**	6,051
Pension costs — defined contribution schemes	**136**	188
Employee share option benefits	**277**	35
	6,644	6,274

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

2008 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	265	467	2,018
Chan Wai Kwong, Peter	—	216	11	—	—	227
Independent non-executive directors:						
Jeffery Matthew Bistrong	100	—	—	—	—	100
Chu Chin Tai, Eric	84	—	—	—	—	84
Chen Kwok Wang, Kester	84	—	—	—	—	84
Total	268	1,490	23	265	467	2,513

Notes to the Financial Statements

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

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
Total	298	1,490	23	15	464	2,290

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2007: Nil).

Mr. Goh Yu Min resigned subsequent to year end on 26 September 2006.

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 (2007: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2007: three) employees during the year are as follows:

	2008	2007
	HK$'000	*HK$'000*
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**1,688**	1,623
Contributions to MPF scheme	**36**	36
	1,724	1,659

The number of the remaining three (2007: three) employees whose emoluments fall within the following band:

	2008	2007
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 (2007: Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2008	2007
	HK$'000	*HK$'000*
Taxation charge		
Current tax		
— Overseas taxation	**8**	261

The taxation on the Group's profit 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:

	2008	2007
	HK$'000	*HK$'000*
Profit before taxation	**381**	8,484
Calculated at a taxation rate of 17.5% (2007: 17.5%)	**67**	1,485
Tax effect of income not subject to taxation	**(70)**	(1,643)
Tax effect of expenses not deductible for taxation purposes	**387**	660
Tax effect of temporary differences for the year unrecognised	**(4)**	(2)
Tax effect of tax losses for the year unrecognised	**12**	21
Tax effect of utilisation of previously unrecognised tax losses	**(502)**	(345)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**118**	85
Taxation charge	**8**	261

Notes to the Financial Statements

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of the profit of HK$214,000 (2007: loss of HK$1,509,000).

13. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2008	2007
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**382**	7,849
Weighted average number of ordinary shares in issue	**472,811,363**	472,811,363
Basic earnings per share	**0.08 cent**	1.66 cents

Notes to the Financial Statements

13. EARNINGS 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.

	2008	2007
	HK$'000	*HK$'000*
Profit for the year, used in the basic and diluted earnings per share calculation	**382**	7,849
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**472,811,363**	472,811,363
Weighted average number of ordinary shares issued at no consideration on deemed exercise of all shares options outstanding during the year	**6,010,138**	10,258,113
	478,821,501	483,069,476
Diluted earnings per share	**0.08 cent**	1.62 cents

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 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
Additions	116	—	—	116
Acquisition of a subsidiary	20	—	—	20
Currency realignment	104	—	—	104
At 31 March 2008	5,129	211	141	5,481
Accumulated depreciation				
At 1 April 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
Depreciation provided for the year	114	—	—	114
Currency realignment	103	—	—	103
At 31 March 2008	4,967	211	141	5,319
Net book value				
At 31 March 2008	162	—	—	162
At 31 March 2007	139	—	—	139

Notes to the Financial Statements

15. INTERESTS IN SUBSIDIARIES

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

	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	**24,319**	24,319
Impairment losses	**(24,319)**	(24,319)
	—	—
Amounts due from subsidiaries *(Note (i))*	**30,699**	33,608
Allowance for impairment of doubtful debts	**(30,699)**	(32,849)
	—	759
	—	759

Details of the subsidiaries at 31 March 2008 are as follows:

Name	**Place of incorporation**	**Principal activities and place of operation**	**Particulars of issued share capital/ registered 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%

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/ registered capital	Interest held
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 100,000,000 non-voting deferred shares of HK$0.01 each *(Note (ii))*	100%
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	Hong Kong	Information technology solution services	10,000 Ordinary shares of HK$1 each	60%
北京尚世嘉華咨詢有限責任公司	PRC	Provision of technical information consultancy services	RMB100,000	60%

Notes to the Financial Statements

15. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:

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

As at 31 March 2008, amounts due of HK$30,699,000 (2007: HK$32,849,000) have been fully impaired. The individually impaired receivables mainly related to a number of subsidiaries which are in financial difficulty. These receivables were past due over two years. Movements on the allowance for impairment of doubtful debts are as follows:

	2008	2007
	HK$'000	*HK$'000*
At 1 April	**32,849**	32,849
Unused amounts reversed	**(2,150)**	—
At 31 March	**30,699**	32,849

(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.

16. INTEREST IN AN ASSOCIATE

	2008	2007
	HK$'000	*HK$'000*
Share of net assets, other than goodwill	**764**	212
Goodwill	**5,250**	5,250
	6,014	5,462
Due from an associate	**724**	677
	6,738	6,139

Notes to the Financial Statements

16. INTEREST IN AN ASSOCIATE *(Continued)*

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

It is neither past due nor impaired.

(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	Registered Capital	Country of Corporation	Assets *HK$'000*	Liabilities *HK$'000*	Revenue *HK$'000*	Profit *HK$'000*	% Interest held
2008							
廣州流之動資訊技術有限公司	RMB1,000,000	PRC	2,916	1,006	3,493	834	40
2007							
廣州流之動資訊技術有限公司	RMB500,000	PRC	1,314	784	2,460	263	40

17. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	GROUP			
	2008 Loans and receivables *HK$'000*	**2008 Total *HK$'000***	2007 Loans and receivables *HK$'000*	2007 Total *HK$'000*
Assets as per consolidated balance sheet				
Interest in an associate	**6,738**	**6,738**	6,139	6,139
Trade and other receivables	**3,695**	**3,695**	2,861	2,861
Cash and deposits with banks	**20,019**	**20,019**	20,072	20,072
	30,452	**30,452**	29,072	29,072

Notes to the Financial Statements

17. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

COMPANY

	2008 Loans and receivables HK$'000	**2008 Total HK$'000**	2007 Loans and receivables HK$'000	2007 Total HK$'000
Assets as per balance sheet				
Interests in subsidiaries	**—**	**—**	759	759
Prepayments and other receivables	**223**	**223**	203	203
Cash and deposits with banks	**17,331**	**17,331**	16,584	16,584
	17,554	**17,554**	17,546	17,546

GROUP

	2008 Financial liabilities at amortised cost HK$'000	**2008 Total HK$'000**	2007 Financial liabilities at amortised cost HK$'000	2007 Total HK$'000
Liabilities as per consolidated balance sheet				
Trade and other payables	**4,154**	**4,154**	3,440	3,440

COMPANY

	2008 Financial liabilities at amortised cost HK$'000	**2008 Total HK$'000**	2007 Financial liabilities at amortised cost HK$'000	2007 Total HK$'000
Liabilities as per balance sheet				
Other payables	**153**	**153**	636	636

Notes to the Financial Statements

18. TRADE AND OTHER RECEIVABLES

	GROUP	
	2008	2007
	HK$'000	*HK$'000*
Trade receivables	**2,416**	2,067
Prepayments, other receivables and deposits	**1,279**	1,706
Less: Impairment losses	**—**	912
	1,279	794
	3,695	2,861

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

	2008	2007
	HK$'000	*HK$'000*
0 to 30 days	**1,556**	1,265
31 to 60 days	**354**	434
61 to 90 days	**29**	45
Over 90 days	**477**	323
	2,416	2,067

Notes to the Financial Statements

18. TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 March 2008, trade receivables of HK$860,000 (2007: HK$802,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing of these receivables is as follows:

	GROUP	
	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,556**	1,265
Less than 30 days past due	**383**	448
31 to 60 days past due	**—**	14
61 to 90 days past due	**19**	10
over 90 days past due	**458**	330
	860	802
	2,416	2,067

As at 31 March 2008, none of prepayments, other receivables and deposits was past due nor impaired. As at 31 March 2007, amounts of HK$912,000 were impaired. Movements on the allowance for impairment of doubtful debts are as follows:

	2008	2007
	HK$'000	*HK$'000*
At 1 April	**912**	—
Impairment loss recognised	**—**	912
Uncollectible amount written-off	**(912)**	—
At 31 March	**—**	912

Notes to the Financial Statements

19. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and deposits with banks in the balance sheet	**20,019**	20,072	**17,331**	16,584
Less: Bank deposit with maturity greater than three months	**4,125**	12,000	**4,125**	12,000
Cash and cash equivalents in the cash flow statement	**15,894**	8,072	**13,206**	4,584

The effective interest rates for time deposits of HK$12,542,000 and HK$4,125,000 were 2.6% and 3.7 % respectively; these deposits have maturity of 32 and 186 days respectively.

20. SHARE CAPITAL

	Ordinary shares of US$0.01 each	
	Number of shares	**Nominal value**
		HK$'000
Authorised:		
At 1 April 2006, 31 March 2007 and 31 March 2008	2,000,000,000	156,000
Issued:		
At 1 April 2006, 31 March 2007 and 31 March 2008	472,811,363	36,930

Notes to the Financial Statements

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.

On 12 February 2008, share options were transferred to certain employees to subscribe for 190,000 shares of the Company at an exercise price of HK$0.191 each. 190,000 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.

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

	Number of options	
	2008	2007
At 1 April	**2,530,000**	2,530,000
Transfer in *(Note (iv))*	**190,000**	1,045,000
Transfer out	**(190,000)**	(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) below.

Notes to the Financial Statements

21. SHARE OPTIONS *(Continued)*

(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 an exercise price of HK$0.078 each.

On 12 February 2008, share options were granted to Dr. Chan Chung to subscribe for 4,728,113 shares of the Company at an exercise price of HK$0.191 each.

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

	Number of options	
	2008	2007
At 1 April	**4,728,113**	—
Granted *(Note (iv))*	**4,728,113**	4,728,113
At 31 March	**9,456,226**	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) below.

Notes to the Financial Statements

21. SHARE OPTIONS *(Continued)*

(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.

(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		
	12 February 2008	**9 February 2007**	**18 September 2006**
	(Note (i) and (ii))	*(note (i))*	*(Note (ii))*
Share price	HK$0.191	HK$0.090	HK$0.050
Exercise price	HK$0.191	HK$0.090	HK$0.078
Expected volatility	40.8%	24.7%	24.7%
Expected option life (in years)	3	3	3
Risk-free-rate	1.6%	3.62%	3.62%
Expected dividends	Nil	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$12,000 and HK$265,000, totalling HK$277,000 for the year ended 31 March 2008 (2007: HK$35,000) in relation to share options granted by the Company on 12 February 2008.

Notes to the Financial Statements

22. RESERVES

(a) GROUP

	Share Premium HK$'000 (Note (iii))	Capital reserve HK$'000 (Note (i))	Capital redemption reserve HK$'000	Cumulative translation adjustments HK$'000	Convertible notes reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 2006	35,564	16,375	2,943	572	44	—	(74,479)	(18,981)
Recognition of share option benefits at fair value	—	—	—	—	—	35	—	35
Disposal of subsidiaries	—	—	—	(62)	—	—	—	(62)
Redemption of convertible notes	—	—	—	—	(44)	—	44	—
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)
Recognition of share option benefits at fair value	—	—	—	—	—	277	—	277
Currency translation differences	—	—	—	30	—	—	—	30
Profit for the year	—	—	—	—	—	—	382	382
Balance at 31 March 2008	**35,564**	**16,375**	**2,943**	**540**	**—**	**312**	**(66,204)**	**(10,470)**

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$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 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)
Recognition of share option benefits at fair value	—	—	—	—	277	—	277
Profit for the year	—	—	—	—	—	214	214
Balance at 31 March 2008	35,564	16,375	2,943	—	312	(74,723)	(19,529)

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

	2008	2007
	HK$'000	*HK$'000*
Trade payables	**2,598**	1,930
Accrued expenses	**950**	923
Other payables	**594**	575
Deposits received	**12**	12
	4,154	3,440

At 31 March 2008 and 2007, the ageing analysis of trade payables is as follows:

	2008	2007
	HK$'000	*HK$'000*
0 to 30 days	**994**	803
31 to 60 days	**383**	414
61 to 90 days	**134**	178
Over 90 days	**1,087**	535
	2,598	1,930

All trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

(b) COMPANY

	2008	2007
	HK$'000	*HK$'000*
Accrued expenses	**—**	368
Other payables	**153**	268
	153	636

All other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Notes to the Financial Statements

24. CONVERTIBLE NOTES

The convertible notes issued were unsecured, bore interest at 1% per annum, were 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 were 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, was included in shareholders' equity in convertible notes reserve *(Note 22)*.

The convertible notes recognised in the balance sheet at 31 March 2008 and 2007 were calculated as follows:

	GROUP AND COMPANY	
	2008	2007
	HK$'000	*HK$'000*
Face value of convertible notes at the date of issue	—	400
Equity component *(Note 22)*	—	(44)
Liability on initial recognition component at the date of issue	—	356
Interest expense *(Note 8)*		
— Opening balance	—	55
— Current year	—	1
Interest paid		
— Opening balance	—	(12)
Redemption of convertible notes	—	(400)
Liability component at the end of the year	—	—

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

Notes to the Financial Statements

25. DEFERRED TAXATION

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

	GROUP	
	2008	2007
	HK$'000	*HK$'000*
Deductible temporary differences	**1,035**	1,062
Unused tax losses	**32,703**	35,291
	33,738	36,353

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.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

On 2 May 2007, the Group acquired 60% of the issued registered capital of 北京尚世嘉華諮詢有限責任公司, a company engaged in provision of technical information consultancy services. The acquired business contributed revenue of HK$136,000 and net loss of HK$205,000 to the Group for the period from 2 May 2007 to 31 March 2008. If the acquisition had occurred on 1 April 2007, Group revenue would have been HK$19,742,000, and profit after taxation would have been HK$290,000.

Details of net assets acquired and excess of fair value of net assets acquired over cost of acquisition of interest in a subsidiary are as follows:

	2008	2007
	HK$	*HK$*
Purchase consideration:		
Cash paid	**(1)**	—
Fair value of net assets acquired		
— Shown as below	**13,114**	—
Excess of fair value of net assets acquired over cost of acquisition of interest in a subsidiary *(Note 6)*	**13,113**	—

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	
	2008	2007
	HK$	*HK$*
Cash and cash equivalents	**8,839**	—
Property, plant and equipment *(Note 14)*	**19,597**	—
Payables	**(6,579)**	—
Net assets	**21,857**	—
Minority interests (40%)	**(8,743)**	—
Net assets acquired	**13,114**	—
Purchases consideration settled in cash	**(1)**	—
Cash and cash equivalents in a subsidiary acquired	**8,839**	—
Cash inflow on acquisition	**8,838**	—

Notes to the Financial Statements

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Disposal of subsidiaries

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

	2008	2007
	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:

	2008	2007
	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 leases negotiated for original terms for three years. None of the leases includes contingent rentals.

At 31 March 2008, the Group had the total future minimum lease payments under various non-cancellable operating leases falling due as follows:

	2008	2007
	HK$'000	*HK$'000*
Within one year	**710**	899
In the second to fifth years, inclusive	—	710
	710	1,609

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 assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

29. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

(a) During the year, the Group had significant transaction with the following related party, together with balance with it as at the balance sheet date, details of which are as follows:

	2008	2007
	HK$'000	*HK$'000*
Associate:		
Revenue sharing income *(Note (i))*	**—**	350
Balance due to the Group as at the balance sheet date *(Note (ii))*	**724**	677

Notes:

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

(ii) The balance is unsecured, interest free and has 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 experience of individuals and market trends.

Notes to the Financial Statements

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

(a) Financial risk factors

The Group's activities expose to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closing monitoring the individual exposure as summarised below.

(1) Market risk

(i) Foreign exchange risk

The Group is exposed to currency risk primarily through sales and telecom operators costs that are denominated in a currency other than functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Australian dollars, United States dollars, Taiwan dollars and Singapore dollars.

The Group currently does not have a formal currency hedging policy in relation to currency risk. The directors of the Group monitor the Group's exposure on a ongoing basis and will consider hedging the currency risk should the need arise.

No sensitivity analysis for the Group's exposure to currency risk arising from financial assets denominated in foreign currencies is prepared since the management's assessment of reasonably changes in value of the HK dollars against foreign currencies is insignificant.

Notes to the Financial Statements

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(Continued)*

(a) Financial risk factors *(Continued)*

(1) ***Market risk*** *(Continued)*

(ii) Cash flow and fair value interest rate risk

Except for short term bank deposits (note 19), the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

At 31 March 2008, it is estimated that a general increase/decrease of 1% in Hong Kong interest rates, with all other variable held constant, would decrease/increase accumulated losses by approximately HK$138,000 (2007: HK$132,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 1% increase or decrease in Hong Kong interest rates represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(iii) Price risk

The Group is exposed to equity securities price risk because investment held by the Group is classified on the consolidated balance sheet as interest in an associate. As the Group's policy is only to invest on such investment by its surplus funds, the exposure may not have significant impact on the Group's financial position. The Group is not exposed to commodity price risk.

The Company is exposed to other price risk in respect of interests in subsidiaries and associates. The sensitivity analysis to price risk in relation to the interests in subsidiaries and associates cannot be reliably determined due to numerous uncertainties regarding the future development of these subsidiaries and associates.

Notes to the Financial Statements

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(Continued)*

(a) Financial risk factors *(Continued)*

(2) Credit risk

The Group's maximum exposure to credit risk in the event of the client's failure to perform their obligations as at 31 March 2008 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. The Group reviews the recoverable amount for each individual account receivables at each balance sheet date to ensure that adequate allowances for impairment are made for irrecoverable amounts.

The credit risk on liquid funds is also limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. In this regard, the directors of the Group consider that the Group's credit risk is effectively controlled and significantly reduced.

At the balance sheet date, the Group has a certain concentration of credit risk as 75% (2007: 79%) of the total trade and other receivables were due from the five largest clients.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from amount due from an associate and trade and other receivables are set out in notes 16 and 18.

Notes to the Financial Statements

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(Continued)*

(a) Financial risk factors *(Continued)*

(3) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's non-derivate financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet date) and the earliest date of the Group can be required to pay:

	Total carrying amount	**Less than 1 year or payable on demand**
	HK$'000	*HK$'000*
2008		
Trade payables	2,598	2,598
Accrued expenses	950	950
Other payables	594	594
Deposit received	12	12
	4,154	4,154
2007		
Trade payables	1,930	1,930
Accrued expenses	923	923
Other payables	575	575
Deposit received	12	12
	3,440	3,440

Notes to the Financial Statements

30. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(Continued)*

(b) Fair value estimation

The fair value of cash and deposits with banks, trade and other receivables and trade and other payables are not materiality different from their carrying amounts because of immediate or short term maturity of these financial instruments.

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group monitors capital on the basis of a debt-to-adjusted capital ratio. This ratio is calculated as total debts divided by adjusted capital. Total debts include current liabilities. Adjusted capital included total equity as shown in the consolidated balance sheet.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain or adjust the ratio at the low end of the range 10% to 20%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividend paid to shareholders, issue new shares and return capital to shareholders.

The debt-to-adjusted capital ratio at 31 March 2008 and 2007 were as follows:

	2008	2007
	HK$'000	*HK$'000*
Current liabilities		
Trade and other payables	**4,154**	3,440
Total debts	**4,154**	3,440
Adjusted capital	**26,460**	25,771
Debt-to-adjusted capital ratio	**15.7%**	13.3%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the Financial Statements

31. COMPARATIVE FIGURES

As a result of adopting HKFRS 7, *Financial instruments: Disclosures,* and the amendments to HKAS 1, *Presentation of financial statements: Capital disclosures*, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2008. Further details of these developments are disclosed in note 3.

32. POST BALANCE SHEET EVENTS

On 4 May 2008, MTel Limited, a subsidiary of the Company has acquired 3.3%, additional interest in , 廣州流之動資訊技術有限公司, at a consideration of RMB300,000 satisfied in cash.

33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2008 and which have not been adopted in these financial statements as follows:

Effective from 1 March 2007

HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

Effective from 1 January 2008

HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Effective from 1 July 2008

HK(IFRIC) – Int 13	Customer Loyalty Programmes

Effective from 1 January 2009

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations

Effective from 1 July 2009

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations

Notes to the Financial Statements

33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2008 *(Continued)*

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The application of the new standards will affect the Group's results and financial position. Other than as disclosed above and HKAS 23 (Revised), the directors of the Group anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

Five Fiscal Years Financial Summary

RESULTS

				(As restated)	
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**19,742**	21,717	20,982	20,950	11,534
Profit/(loss) attributable to shareholders	**382**	7,849	(1,322)	(4,167)	(8,544)

ASSETS AND LIABILITIES

				(As restated)	
	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**30,614**	29,211	26,038	28,711	30,552
Total liabilities and minority interests	**(4,154)**	(3,440)	(8,089)	(11,868)	(9,996)
Shareholders' funds	**26,460**	25,771	17,949	16,843	20,556