Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8266

Annual Report

2009

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

Contents

Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2516, North Tower, Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui, Kowloon
Hong Kong

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

COMPANY SECRETARY

Mr. Ho Yu, Jason, *CPA, FCCA*

AUDITORS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
Room 1806-1807, 18th Floor, Hopewell Centre
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Hong Kong

PRINCIPAL BANKER

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

WEBSITE

www.mtelnet.com

STOCK CODE

8266

Chairman's Statement

OPERATING RESULTS

Notwithstanding the worsening global economy during the year, I am pleased to report that Mobile Telecom Network (Holdings) Limited and its subsidiaries (the "Group") has remained profitable for the financial year ended 31 March 2009. The Group recorded turnover of HK$20,321,000 for the year, compared to that of HK$19,742,000 last year. The turnover of the Group increased moderately by 2.9% compared to that of last year. During the year, in light of the Group's continuous focus on higher margin business, gross profit margin of the Group was improved from 44.2% to 47.4%. It was noteworthy that the global financial crises did affect the Group's main operating result but has not affected the Group's China operation. The Group's Asia Pacific operation for the year turned to a slight loss of HK$70,000 from a profit of HK$47,000 in last year. The turnover of our China operation increased to HK$8,062,000 for the year, increased significantly by 130.8% compared to that of HK$3,493,000 last year. As a result, the ongoing increase in share of profit from the Group's China associate results in the Group's net profit to reach HK$748,000 for the year, representing a double of that of last year. The Directors do not recommend the payment of a final dividend.

2008 Hong Kong Outstanding Enterprise

OVERVIEW

The Group was named the 2008 Hong Kong Outstanding Enterprise by the Economic Digest, a well known economic journal in Hong Kong. The Group has also just been awarded the 2009 Most Innovative Chinese Enterprise in the China 2009 (9th session) of Enterprise Innovation Forum held at Beijing in June 2009. Besides setting its strong hold in Hong Kong and focusing the expansion in China, the Group continues to develop new services and expand into new markets.

2009 Most Innovative Chinese Enterprise

Chairman's Statement

The trend of the mobile data business, in which the Group operates, is to embrace the emerging new offerings such as the Apple 3G iPhones and mobile TV. We are participating in the launching of the iPhone services with 3HK in Hong Kong and also offering various mobile TV services across the region. In terms of actual business model, the Group continues to focus in two main value drivers, the value added services business and the outsourcing business with the mobile operators in the Greater China and Asia Pacific markets.

The Group has developed a very strong position in the Sport & Entertainment Services for mobile users across the region through key partnerships with the leading global news agencies. The mobile entertainment experience has becoming richer and user-friendlier thus delivering more real value for the subscribers. Beginning June 2008, the Group has worked with the leading global news agencies to deliver the two major sports events with Euro 2008 football services and the Beijing Olympic 2008 services in the region including Hong Kong, Macau, Indonesia, Singapore, and Vietnam market. After the major sports event, the Group has continued the business relationships with National Basketball Association (NBA) to acquire the exclusive mobile license rights in Hong Kong & Macau market which is the 3rd consecutive year deal. We also continue to deploy new services into Indonesia, Pakistan, Sir Lanka, etc. in order to fully utilize our unique GloDan (Global Data Network) network connections. We have coordinated the rights from branded content owners to distribute relevant content via the region's mobile operators' networks.

In mainland China, MTel China continues to cooperate with China Mobile with focus on the development of electronic channels as well as new business lines. In 2008, the business was expanded gradually to other provinces in addition to China Mobile - Guangdong, including China Mobile - Jiangsu, China Mobile - Beijing and China Mobile - Inner Mongolia. In respect of the development of electronic channels, the main goal is to raise the transaction volume of portals, WAP business handling, SMS. In respect of exploring new business lines, the main objective is to increase the number of users of new products such as (instant messaging product) Fetion, mobile newspapers, mobile music and so on. Furthermore, MTel China beginning from the second half of 2008 are expanding gradually to the major cities in Guangdong and working closely with China Mobile - Shenzhen, China Mobile - Guangzhou and China Mobile - Foshan.

Chairman's Statement

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 the emerging markets including Malaysia, Pakistan, Singapore, Sri Lanka, Vietnam and Indonesia.

In the Hong Kong market, the Group has launched the two popular Taiwanese TV programs from StarTV, Blackie and Lollipop into the mobile channels and at least with 2 mobile interactive gaming services with mobile operators which are targeting in different segments of mobile users including Sports, Gaming, and Lifestyles centric group of youth. The Group believes the interactive gaming service is the evolution of deploying mobile content services that focus on the interactive aspect and create unique applications that simulate users' interest and enjoyment. Those interactive gaming services are mainly associated with the key campaigns together with advertisers for sponsorship including the movie distributors, sports brands, etc. The results of those services indicate the response rate continues to grow both on the click rate together with the revenue into value added services. These partnerships include content providers, well-known brands as well as mobile marketing partners.

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 90+ 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 and Dialog, the largest mobile subscribers in Pakistan and Sri Lanka market to deliver the latest JAVA games and a range of mobile value added services. In Hong Kong, PCCW mobile has appointed the Group as a Master Game Provider to manage the entire JAVA Games business and the service has commenced in December 2008. Apart from single player JAVA Games, the Group has launched a series of multi-player JAVA games titles with CSL, the largest mobile operator in Hong Kong in July 2008. The Group will continue to provide exceptional service quality & efficiency in the MVAS business. This is likely to lead more operators to collaborate with us in their MVAS operations.

Chairman's Statement

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 iPhone 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 iPhone type opportunities in China. The Group also partnered with Hutchison 3HK to launch four key value added services on 3G iPhone that tie into the handset launching on 11 July 2008.

Apart from the licensed content business, the Group through Hutchison 3HK launched the SHOWME! 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 latest campaign is the 1st launching of Eason Chan official blogsite, the famous Hong Kong singer, together with the competition campaign on Web and Mobile platform via on SHOWME! associated with the new Mandarin album released in June 2008. The objective is to recruit more target audiences in different segments in order to leverage the SHOWME! platform.

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, Sir Lanka, etc. In this regard, more operators consider outsourcing their existing data products and services to independent third parties. The Group has benefited by this trend and has won several outsourcing projects from operators in this region. The Group is now serving 7 mobile operators in Hong Kong and Macau to operate the entire mobile game business including 3HK & Macau, CSL & New World Mobility, PCCW Mobile, China Mobile Hong Kong, and Macau CTM. This collaboration shows the strong recognition to the Group of its experience and expertise in gaming business and considers the Group as the key player in this arena to assist mobile operators to operate the games and numerous other MVAS business in both 2G and 3G markets.

The Group has formed a partnership with several international content providers to distribute its branded content on wireless distribution of its rich content pool that brings iconic branded titles such as Monsters vs Aliens, Transformers, GI Joe, X Men, and Harry Porter content to 3G and 2G mobile users in Hong Kong and other countries. Through our GloDan network, Marvel Mobile has recently been made available to Hong Kong subscribers and the services are also available in various forms, including graphic images, audio, and games. The Group is strongly poised to provide consumers with innovative new product that targets the teen and young adult market, offering a diversified range of mobile content products, personalized and located to the market.

Chairman's Statement

In addition, the Group has developed a mobile yellow page system called – yp sms. It is a do-it-yourself internet-based system, enabling advertisers to create and broadcast SMS conveniently and cost effectively. This system was developed for PCCW Directories Limited. yp sms's easy-to-use navigation allows advertisers to import their database, schedule outgoing message release times, arrange to receive SMS replies and control payment – all helping advertisers to promote their products and services in a secure and convenient manner.

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, 19 June 2009

Management Discussion and Analysis

BUSINESS REVIEW

Financial Performance

The Group recorded turnover of HK$20,321,000 for the year, compared to that of HK$19,742,000 last year. Notwithstanding the worsening global economy during the year, the turnover of the Group increased moderately by 2.9% compared to that of last year. During the year, in light of the Group's continuous focus on higher margin business, gross profit margin of the Group was improved from 44.2% to 47.4%. It was noteworthy that the global financial crises did affect the Group's main operating result but has not affected the Group's China operation. The Group's Asia Pacific operation for the year turned to a slight loss of HK$70,000 from a profit of HK$47,000 in last year. The turnover of our China operation increased to HK$8,062,000 for the year, increased significantly by 130.8% compared to that of HK$3,493,000 last year. As a result, the ongoing increase in share of profit from the Group's China associate results in the Group's profit to reach HK$748,000 for the year, representing a double of that of last year. 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 contributor to the Group, accounting for 92.9% (2008: 94.9%) of the Group's turnover, while Singapore, Taiwan and Australia generated approximately 2.4%, 1.2% and 1.0% respectively (2008: 0%, 1.9% and 1.8% respectively).

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. Our new system design also integrates the operation of mobile TV and multi-player online games. We leverage our long experience in mobile services provisioning with diverse operator requirements and user interests into a MobileSurf platform that comprises the 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 followings:

Management Discussion and Analysis

Hong Kong, January 2009 – MTel enters into a partnership with one of the largest TV broadcaster – Star TV to offer the most popular Taiwanese TV program of Channel [V] with Lollipop and Blackie programs. These programs are now available on all 3G mobile operators including PCCW mobile, SmarTone-Vodafone, CSL, and 3HK (coming soon). All mobile users are now able to view the completed full duration of TV programs by using their 3G handsets at anytime and anywhere either by a-la-carte or subscription model.

Hong Kong, January 2009 – MTel is in the partnership with CSL to launch the HD on Demand services with offering the latest multi-media channels including NBA mobile, Channel [V] Taiwan for Lollipop and Blackie TV programs, etc.

Hong Kong, January 2009 – MTel announces that PCCW Mobile has appointed MTel as the master mobile game provider of PCCW Mobile to manage the mobile JAVA games business for 2G & 3G users.

Hong Kong, February 2009 – Proposal of real time soccer info streaming service and joint proposal with Music Powerhouse of Music Magic Touch music service are selected by the Hong Kong Wireless Development Centre for the RFP of Innovative TD-SCDMA Services and Applications for the Hong Kong Cyberport TD-SCDMA Service Development Centre.

Hong Kong, March 2009 – MTel is the master mobile game provider with China Mobile (Hong Kong) to manage the mobile JAVA games business for mobile users in Hong Kong market. For the Master Game Provider deal, we are now acting as a Master/Major Game Provider with almost all major mobile operators, including CSL, New World Mobility, 3HK, PCCW Mobile, China Mobile Hong Kong, 3 Macau & Macau CTM, for one-stop solution services, including game sourcing, platform hosting, content administration & handsets testing, marketing promotion & redemption, etc.

Hong Kong, March 2009 – MTel is in the partnership with 3HK to launch the World Cup Qualifying channel with offering the latest matches video highlights, live scores, ranking table & statistics, news, etc. This service shall be available for all 3G mobile users and 3G iPhone users.

Management Discussion and Analysis

Sales and Marketing Activities

The Group has expanded its focus in the PRC and worked with China Mobile (Guangdong) via MTel China in Guangzhou. The Group shall leverage its 3G experiences and 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 multi-media services including other video services in 2.5G, 2.75G and 3G networks together with the Live streaming capabilities in satellite delivery for Mobile TV services. 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. In addition, the Group has formed several alliances with strategic media partners to leverage its expertise to explore the new media revenue.

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

Since the latter part of the year 2008 with the worldwide financial crisis, the Group has been strengthening our key business into our existing key markets. 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 also explore new opportunities to diversify its main dependence on mobile service provisioning. The outsourcing business seems to be a growing trend in periods of economical crises and the Group will focus to expand more in this direction.

We expand content aggregation business to include IP rights management for our partners. For some of the new market such as Philippines, Vietnam, Sri Lanka, and Indonesia, the Group will plan to act as a master content aggregator on behalf of the local operators and define the solid business cases for them in order to maximize the revenue and minimize the resources allocation. In addition, the Group will also share its experience and strategy of our successful services with operators in new markets in order to achieve the mutual benefit between both parties. The Group has recently signed up with more content partners including established brands such as Star TV to distribute its programs in the region and the world's leading gaming companies. In addition, the Group shall extend more business relationships with WiFi service providers and handset manufacturers as more new handsets shall support the WiFi connection.

For the more advance 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 and the Group shall also play a key role in this business with launching more than 100+ mobile value added services with the mobile operators in Asia market. In addition, the Group has formed and extended our focus into the mobile enterprise market which tackles into the vertical market with SME business. The Group believes it will be driven another new revenue stream both on recurrent and project based 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, etc. will be available as well. The Group is ideally positioned to benefit from this development, as the Group is currently one of the largest 3G content providers with longest track record to provide 3G related services to operators in Hong Kong and it is also expected to be introduced soon in Singapore, Taiwan, and Malaysia especially with the Asian content for Chinese community in the region. 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.

For the existing markets, China, Hong Kong, Singapore, Taiwan, Malaysia and Australia continue to be the Group's major revenue markets. The Group shall continue to expand its outsourcing projects with operators in order to maintain steady revenue on a recurrent basis. Although the manpower cost is relatively high in Hong Kong, the Group benefits from further outsource lower requirement projects to its associate company in the PRC. In addition, the Group believes its business model can be extended into other new markets such as Vietnam, Pakistan, Indonesia or any other new potential markets for business cooperation. The scale in terms of both quantity of content and operators remains the Group's strongest differentiation point.

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, multi-media 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 terms 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 and new potential platform on 3G iPhone 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, given the fact that 3G licenses have been granted to the major operators there, the Group with its edge and experience 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.

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

At present, the Group covers most of the telecom operators and portals in the Asia Pacific region. We continue to work steadily with partners in other regions such as Korea, Indonesia, Philippines, Sri Lanka, Pakistan, Thailand and Vietnam. We plan to develop our 2G & 3G services in terms 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 2009, the Group had net current assets of approximately HK$18,842,000 (2008: HK$19,560,000), of which approximately HK$19,781,000 (2008: HK$20,019,000) were bank balances and cash. The Group's other current assets recorded at 31 March 2009 mainly comprised approximately HK$3,619,000 (2008: HK$3,695,000) in trade receivables, other receivables, deposits and prepayments which decreased by 2.1% when compared with previous financial year. Current liabilities of the Group increased by 9.7% amounting to HK$4,558,000 (2008: HK$4,154,000). The Group did not have any long-term liabilities as at 31 March 2009.

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

Management Discussion and Analysis

GEARING RATIO

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.17 as at 31 March 2009 (2008: 0.16).

FOREIGN EXCHANGE EXPOSURE

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

CAPITAL STRUCTURE

There was no change in the capital structure of the Group as at 31 March 2009 as compared with that as at 31 March 2008.

MATERIAL ACQUISITION AND DISPOSAL

As at 31 March 2009, the Group had no material acquisitions or disposals during the year.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2009, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at 31 March 2009, the Group did not have any contingent liabilities.

EMPLOYEE INFORMATION

As at 31 March 2009, the Group had a total of 23 employees in Hong Kong while our China associate employed 51 staff in 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$7,308,000 for the year ended 31 March 2009 (2008: HK$6,644,000). 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 52, 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 as 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 55, 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), a listed company 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 46, was appointed as an Independent Non-executive Director in March 2002. Mr. Bistrong is the Managing Director of Harris Williams & Company, an investment banking company. Mr. Bistrong graduated with a master degree in business administration and a master degree in arts from the University of Michigan in 1988.

Mr. Chu Chin Tai, Eric, aged 42, 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 46, 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. Ho Yu, aged 34, is the Financial Controller and Company Secretary of the Group. Mr. Ho joined the Group in June 2008. Mr. Ho is responsible for managing overall accounting and financial systems and company secretarial matters. Mr. Ho received a master degree in accounting from Curtin University of Technology, Australia. Mr. Ho is a fellow member of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. Mr. Ho has over 9 years experience in accounting and auditing fields.

Mr. Wong Ming Wai, aged 33, is the President of business development (Asia Pacific Operation) 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 7 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 32, is 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 game business of the Group. Mr. Tsang graduated with a bachelor degree in information technology from City University of Hong Kong in 2001 and further obtained his master degree in electronic commerce from the same university in 2007. Mr. Tsang joined the Group prior to the graduation of his first degree.

Mr. Mo King Wong, aged 49, is the Vice President of business development (China Operation) of the Group. Mr. Mo joined the Group in December 2004 and responsible for coordinating the Group's operation in the mainland China. Mr. Mo graduated with a bachelor degree in computer science and accounting from University of Wales, United Kingdom. Before joining the Group, he worked for an international bank for years.

Mr. Chau Ho Wai, aged 26, is the Head of IT of the Group. Mr. Chau has been managing and developing the Corporate Solutions business unit since he joined the Group in 2005 and managing the IT department since early 2009. Mr. Chau has over 6 years experience in IT industry. Mr. Chau attended the Hong Kong Polytechnic University.

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 14 to the financial statements. The Group is principally engaged in the development, provision and sale of mobile and internet communication telecommunications and other related services in Hong Kong and other Asia Pacific countries.

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 38.

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 21 to the 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 13 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 19 to the 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 2009 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.

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 Option 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 2009 are set out below:

Name	Date of grant	Number of Share Options: Outstanding as at 1 April 2008	Granted during the year under review	Exercised during the year under review	Lapsed during the year under review	Outstanding as at 31 March 2009	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	595,000	–	–	(102,500)	492,500	0.104%	9 May 2003 – 8 May 2013	1.00	0.103
	09 February 2007	1,045,000	–	(600,000)	(330,000)	115,000	0.024%	9 February 2007 – 8 February 2017	1.00	0.090
	12 February 2008	190,000	–	–	(130,000)	60,000	0.013%	12 February 2008 – 11 February 2018	1.00	0.191
Business Consultant										
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	–	(600,000)	(562,500)	1,367,500	0.288%			

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

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

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 suppliers, 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 year are set out below:

Name	Date of grant	Number of Share Options: Outstanding as at 1 April 2008	Granted during the year under review	Exercised during the year under review	Lapsed during the year under review	Outstanding as at 31 March 2009	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option *HK$*	Exercise price per share *HK$*
Executive Director										
Dr. Chan Chung	18 September 2006	4,728,113	–	–	–	4,728,113	0.999%	18 September 2006 – 17 September 2016	1.00	0.078
	12 February 2008	4,728,113	–	–	–	4,728,113	0.999%	12 February 2008 – 11 February 2018	1.00	0.191
	13 February 2009	–	4,734,113	–	–	4,734,113	1.000%	13 February 2009 – 12 February 2019	1.00	0.101
Other Participants										
Employees in aggregate *(Note)*	13 February 2009	–	5,234,113	–	–	5,234,113	1.106%	13 February 2009 – 12 February 2019	1.00	0.101
		9,456,226	9,968,226	–	–	19,424,452	4.104%			

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 Share Option Scheme have been exercised and cancelled during the year under review.

SHARE OPTIONS RULES *(Continued)*

(ii) Share Option Scheme *(Continued)*

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

(a) Maximum number of Shares

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

(b) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme(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.

SHARE OPTIONS RULES *(Continued)*

(ii) Share Option Scheme *(Continued)*

(d) Granting options to connected persons

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

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

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

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

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

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

SHARE OPTIONS RULES *(Continued)*

(ii) Share Option Scheme *(Continued)*

(e) Time of exercise of option

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

DIRECTORS

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

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

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. Chen Kwok Wang, Kester retires by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer 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 9(a) and 9(b) to the 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.

Report of the Directors

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 26 March 2010, 05 March 2010 and 30 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).

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 15.

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

As at 31 March 2009, the interests and short positions of the Directors and chief executives of the Company in the shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares – interests in the shares

Name of Directors	Capacity	Number of shares held	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.

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

Long positions in underlying shares of equity derivatives – interest in option of the Company

Name of Directors	Capacity	Date of grant	Number of underlying shares	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option *HK$*	Exercise price per share *HK$*
Dr. Chan Chung *(Note)*	Beneficial owner	27 March 2003	300,000	0.063%	9 May 2003 – 8 May 2013	1.00	0.103
		18 September 2006	4,728,113	0.999%	18 September 2006 – 17 September 2016	1.00	0.078
		12 February 2008	4,728,113	0.999%	12 February 2008 – 11 February 2018	1.00	0.191
		13 February 2009	4,734,113	1.000%	13 February 2009 – 12 February 2019	1.00	0.101
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
			14,590,339	3.082%			

Note: Share options to Dr. Chan Chung and Mr. Chan Wai Kwong, Peter were granted under the Pre-IPO Share Option Scheme and Share Option Scheme. 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 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 March 2009, the Company had been notified of the following substantial shareholders' interest and short positions, being 5% or more of the issued share capital of the Company.

Long positions in shares – interest in the shares

Name of shareholder	Capacity	Number of shares held	Approximate Percentage of the issued share capital
Silicon	Beneficial owner	177,785,861	37.6%
Dr. Chan Chung	*(Note 1)*	177,785,861	37.6%
Vodatel Information Limited	Beneficial owner	94,573,696	20.0%
Vodatel Networks Holdings Limited ("Vodatel")	*(Note 2)*	94,573,696	20.0%
Go Capital Limited	Beneficial owner	31,902,233	6.7%
Culturecom Holdings Limited ("Culturecom")	*(Note 3)*	31,902,233	6.7%
UOB.com Pte Ltd	Beneficial owner	27,495,584	5.8%
United Overseas Bank Limited ("UOB")	*(Note 4)*	27,495,584	5.8%
			70.1%

Notes:

1. Silicon, a company incorporated in the British Virgin Islands, is an investment holding company. Silicon is directly and wholly owned by Dr. Chan Chung. Dr. Chan Chung is deemed, by virtue of the SFO, to be interested in the same 177,785,861 shares held by Silicon.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, DEBENTURES AND 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 2008, Mr. Jose Manuel dos Santos, Miss Lei Hon Kin, Lois Resources Limited and Eve Resources Limited were 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 2008, 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 2008, no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.

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

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

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who has an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 31 March 2009.

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	26.1%
– five largest suppliers combined	33.5%
Sales	
– the largest customer	49.5%
– five largest customers combined	81.8%

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

CONNECTED TRANSACTIONS

During the year ended 31 March 2009, there were no transactions to be disclosed as connected transactions and certain related party transactions as disclosed in note 27 to the financial statements also did not constitute connected transactions in accordance with the requirements of Chapter 20 of the GEM Listing Rules.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that was publicly available to the and within the knowledge of the Directors, it was confirmed that there was sufficient public float of at least 25% of the issue shares at 19 June 2009.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on page 31 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 and Mr. Chen Kwok Wang. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. During the year, the audit committee has met four times to review the Company's financial reporting process. The Company's annual results for the year ended 31 March 2009 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.

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, 19 June 2009

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieve high standard of corporate governance practices 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 2009. The following summarizes the corporate governance practices of the Company and the explanation of 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 2009.

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 Directors is a qualified accountant who has appropriate accounting or related financial management expertise. The Company complies at all times during the year under review with the minimum requirements of the GEM Listing Rules relating to the appointment of at least three Independent Non-executive Directors and one of which should have appropriate professional qualifications or accounting or related financial management expertise. Their biographies are set out in the Biographical Details of Directors and Senior Management Section on Page 15 to 16 of the Annual Report.

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

Corporate Governance Report

The Company confirmed that it has received from each of the Independent Non-executive Directors has made an annual confirmation of independent 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 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.

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

Executive Directors

Dr. Chan Chung *(Chairman)*	4/4
Mr. Chan Wai Kwong, Peter	4/4

Independent Non-executive Directors

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

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

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 taking the lead to ensure that the Board acts in the best interests of the Company and the Group. The role of chief executive officer is responsible to undertake the day-to-day management of the Company's business.

Code Provision A2.1 stipulates that the roles of chairman and chief executive officer should be separated 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 for the Group. Instead, the Board has appointed two senior executives from the Group as President of the Asia Pacific Operation and President of China Operation, respectively. 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 are in accordance with statutory requirements and applicable accounting standards.

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

AUDITOR'S REMUNERATION

For the year ended 31 March 2009, approximately HK$210,000 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 and 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:

Committee members:

Mr. Jeffery Matthew Bistrong	2/4
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 is mainly responsible for identifying suitable candidates for the Board when there is a vacancy or an additional Director is considered necessary. The chairman of the Board will propose the appointment of such candidates to the Board for consideration and the Board will review the qualifications of the relevant candidates for determining the suitability of the Group on the basis of his/her qualifications, experience and background. The decision of appointing a Director must be approved by the Board. Any newly appointed Director by the Board shall hold office only until the next following annual general meeting of the Company and shall then by eligible for re-election at that meeting. During the year, the Company has not appointed any new Director.

REMUNERATION COMMITTEE

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

Corporate Governance Report

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 38 to 101, which comprise the consolidated and Company balance sheets as at 31 March 2009, 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 the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2009 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, 19 June 2009

Consolidated Income Statement

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	6	**20,321**	19,742
Other income and gains, net	6	**641**	941
Telecom operators and content providers costs		**(10,685)**	(11,017)
Employment costs		**(5,797)**	(5,148)
Research and development expenses		**(1,511)**	(1,496)
Depreciation of property, plant and equipment		**(130)**	(114)
Other operating expenses		**(2,909)**	(2,861)
Operating (loss)/profit	7	**(70)**	47
Share of profit of an associate		**824**	334
Profit before taxation		**754**	381
Taxation	10	**(6)**	(8)
Profit for the year		**748**	373
Attributable to:			
Equity holders of the Company	11	**748**	382
Minority interests		**–**	(9)
		748	373
Earnings per share for profit attributable to the equity holders of the Company during the year	12		
– basic		**0.16 cent**	0.08 cent
– diluted		**0.16 cent**	0.08 cent

The notes on pages 44 to 101 are an integral part of these financial statements.

Consolidated Balance Sheet

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**331**	162
Interest in an associate	15	**8,124**	6,738
		8,455	6,900
Current assets			
Trade and other receivables	17	**3,619**	3,695
Cash and deposits with banks	18	**19,781**	20,019
		23,400	23,714
Total assets		**31,855**	30,614
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	19	**36,977**	36,930
Reserves	21	**(9,680)**	(10,470)
Total equity		**27,297**	26,460
LIABILITIES			
Current liabilities			
Trade and other payables	22	**4,558**	4,154
Total liabilities		**4,558**	4,154
Total equity and liabilities		**31,855**	30,614
Net current assets		**18,842**	19,560
Total assets less current liabilities		**27,297**	26,460

The financial statements were approved and authorised for issue by the Board of Directors on 19 June 2009.

Chan Chung
Chairman

Chan Wai Kwong, Peter
Director

The notes on pages 44 to 101 are an integral part of these financial statements.

Balance Sheet

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	*14*	**–**	–
Current assets			
Prepayments and other receivables		**180**	223
Cash and deposits with banks	*18*	**17,679**	17,331
		17,859	17,554
Total assets		**17,859**	17,554
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	*19*	**36,977**	36,930
Reserves	*21*	**(19,481)**	(19,529)
Total equity		**17,496**	17,401
LIABILITIES			
Current liabilities			
Other payables	*22*	**363**	153
Total liabilities		**363**	153
Total equity and liabilities		**17,859**	17,554

The financial statements were approved and authorised for issue by the Board of Directors on 19 June 2009.

Chan Chung
Chairman

Chan Wai Kwong, Peter
Director

The notes on pages 44 to 101 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

		Attributable to equity holders of the Company						
		Share capital	Share premium	Other reserves	Accumulated losses	Total	Minority interests	Total equity
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 April 2007		36,930	35,564	19,863	(66,586)	25,771	–	25,771
Recognition of share option benefits at fair value	*21(a)*	–	–	277	–	277	–	277
Currency translation differences		–	–	30	–	30	–	30
Acquisition of a subsidiary	*24*	–	–	–	–	–	9	9
Profit/(loss) for the year		–	–	–	382	382	(9)	373
Balance at 31 March 2008		36,930	35,564	20,170	(66,204)	26,460	–	26,460
Shares issued upon exercise of share options	*21(a)*	47	18	(11)	–	54	–	54
Recognition of share option benefits at fair value	*21(a)*	–	–	32	–	32	–	32
Currency translation differences		–	–	3	–	3	–	3
Share options forfeited	*21(a)*	–	–	(13)	13	–	–	–
Profit for the year		–	–	–	748	748	–	748
Balance at 31 March 2009		36,977	35,582	20,181	(65,443)	27,297	–	27,297

The notes on pages 44 to 101 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Operating activities			
Profit before taxation		**754**	381
Adjustments for:			
Share-based payments	*21(a)*	**32**	277
Depreciation of property, plant and equipment	*13*	**130**	114
Excess of fair value of net assets acquired over cost of acquisition of interest in a subsidiary	*6*	**–**	(13)
Interest income	*6*	**(308)**	(752)
Share of profit of an associate		**(824)**	(334)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
Trade and other receivables		**76**	(763)
Trade and other payables		**404**	709
Cash generated from/(used in) operations		**264**	(381)
Overseas taxation paid		**(6)**	(8)
Net cash generated from/(used in) operating activities		**258**	(389)
Investing activities			
Acquisition of a subsidiary, net of cash acquired	*24*	**–**	9
Acquisition of additional investment in an associate		**(327)**	(218)
Net increase in amount due from an associate	*15*	**(235)**	(47)
Purchase of property, plant and equipment	*13*	**(299)**	(116)
Interest received		**308**	678
Decrease in bank deposit with maturity greater than three months	*18*	**4,125**	7,875
Net cash generated from investing activities		**3,572**	8,181

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Financing activities			
Proceeds from issue of shares		**54**	–
Net cash generated from financing activities		**54**	–
Net increase in cash and cash equivalents		**3,884**	7,792
Cash and cash equivalents at beginning of the year		**15,894**	8,072
Effect of foreign exchange rates changes		**3**	30
Cash and cash equivalents at end of the year	*18*	**19,781**	15,894

The notes on pages 44 to 101 are an integral part of these 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 business of development, provision and sale of mobile internet communication telecommunications and related services in Hong Kong and other Asia Pacific 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 2516, 25/F, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, 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) and all values are rounded to the nearest thousand except where otherwise indicated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of compliance

The consolidated financial statements of the Group 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 Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Statement of compliance *(Continued)*

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

The 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 the financial statements

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

The consolidated financial statements have been prepared under the historical cost convention.

(i) 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 profits but only to the extent that there is no evidence of impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

(i) 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 shareholders 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 shareholders 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.

Loan from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with note 2(p) depending on the nature of the liabilities.

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the financial statements *(Continued)*

(ii) Associates

Associates are all entities, not being a subsidiary or a jointly controlled entity, over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition *(see note 2(h))*.

An investment in an associate is accounted for using the equity method, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate, unless it is classified as held for sale or included in a disposal group held for sale. The profit or loss of the Company includes its share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on goodwill relating to the investment in associate recognised for the year.

When the Company's share of losses of an associate equals to or exceeds its interest in the associate, the Company discontinues recognising its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the Company's net investment in the associate. After the Company's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised profits and losses resulting from the Company's transactions with the associate are eliminated to the extent of the Company's relevant interests in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case losses are recognised immediately in profit or loss for the impairment.

In the Company's balance sheet the investment in an associate is stated at cost less any accumulated impairment loss. The results of the associate are accounted for by the Company on the basis of dividends received and receivable.

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

(c) 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.

(d) Foreign currency translation

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

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

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

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

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(iii) Group companies *(Continued)*

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.

(e) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives as follows:

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Goodwill

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

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

(g) Intangible assets (other than goodwill)

Research and development expenses

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

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty 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 2009 were expensed as no expenditure met the criteria for deferral.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) 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 and associate: 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.

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

(h) **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 impairment losses for doubtful debts are recorded using an allowable 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) 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 and associate (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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) 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.

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. The Group's loans and receivables comprise mainly "trade and other receivables" and "cash and deposits with banks" in the balance sheet.

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.

(j) Trade and other receivables

Trade and other receivables are initially recognised 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) 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 to 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 Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities (if any) measured in accordance with note 2(p)(i), 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.

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

(m) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Income tax

Income tax for the year comprises current tax and movement in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or 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 and associate, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) 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.

(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 equity amount is recognised in the share-based compensation reserve until the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(p)(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(p)(iii) below. Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(p)(iii) below.

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

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

(iii) Other provisions and contingent liabilities

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

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

(q) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) 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.

(s) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policies decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group or the Group's parent; or a close family member of such an individual or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) 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.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3 CHANGES IN ACCOUNTING POLICIES

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.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirement and their Interaction

Note 2 summarise the accounting policies of the Group, after the adoption of these developments to the extent that they are relevant to the Group. However, the adoption of the above new or revised HKFRS had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been made.

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective *(see note 29)*.

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.

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

Critical accounting estimates and assumptions *(Continued)*

(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.

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

(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(f). 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 2009 and 2008 are presented as more than 90% of the Group's total revenue, results and total assets related to the business of mobile data solutions.

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 2009 *HK$'000*	PRC 2009 *HK$'000*	Australia 2009 *HK$'000*	Singapore 2009 *HK$'000*	Taiwan 2009 *HK$'000*	Others* 2009 *HK$'000*	Total 2009 *HK$'000*
Turnover	18,891	199	203	478	251	299	20,321
Segment results	2,183	54	82	283	(653)	74	2,023
Unallocated costs							(2,093)
Operating loss							(70)
Share of profit of an associate							824
Profit before taxation							754
Taxation							(6)
Profit for the year							748
Segment assets	5,489	211	–	–	131	–	5,831
Interest in an associate							8,124
Unallocated assets							17,900
Total assets							31,855
Segment liabilities	(4,125)	(41)	–	–	(29)	–	(4,195)
Unallocated liabilities							(363)
Total liabilities							(4,558)
Capital expenditure	299	–	–	–	–	–	299
Depreciation of property, plant and equipment	125	5	–	–	–	–	130

5 SEGMENT INFORMATION *(Continued)*

Secondary reporting format – geographical segments *(Continued)*

	Hong Kong/ Macau 2008 *HK$'000*	PRC 2008 *HK$'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
Share of profit of an associate							334
Profit before taxation							381
Taxation							(8)
Profit for the year							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

* *Others represent turnover generated from Pakistan, Indonesia and Malaysia.*

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

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:

	2009 *HK$'000*	2008 *HK$'000*
Turnover		
Service fees from provision of mobile data solutions and related services	**20,122**	19,606
Provision of consultancy services	**199**	136
	20,321	19,742
Other income		
Interest income	**308**	752
Excess of fair value of net assets acquired over cost of acquisition of interest in a subsidiary *(Note 24)*	**–**	13
Sundry income	**301**	124
	609	889
Gains, net		
Exchange gains	**32**	52
	641	941
	20,962	20,683

7 OPERATING (LOSS)/PROFIT

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

	2009	2008
	HK$'000	*HK$'000*
Auditors' remuneration	**197**	256
Depreciation of property, plant and equipment	**130**	114
Staff costs, including directors' emoluments and amount classified as research and development expenses *(Note 8)*	**7,308**	6,644
Operating lease rentals of premises and facilities	**1,229**	1,160
Share of associate's taxation	**77**	42

8 STAFF COSTS

	2009	2008
	HK$'000	*HK$'000*
Wages and salaries	**7,103**	6,231
Pension costs – defined contribution schemes	**173**	136
Share-based payments	**32**	277
	7,308	6,644

9 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

2009 Name of Directors	Directors' fees *HK$'000*	Salaries and allowances *HK$'000*	MPF contributions *HK$'000*	Share-based payments *HK$'000*	Other emoluments *HK$'000*	Total *HK$'000*
Executive Directors:						
Chan Chung	–	1,274	12	15	466	1,767
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	15	466	2,262

9 DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

2008 Name of Directors	Directors' fees *HK$'000*	Salaries and allowances *HK$'000*	MPF contributions *HK$'000*	Share-based payments *HK$'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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one director (2008: two directors) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2008: three) employees during the year are as follows:

	2009 ***HK$'000***	2008 *HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**2,157**	1,682
Contributions to MPF scheme	**46**	36
Share-based payments	**17**	6
	2,220	1,724

9 DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals *(Continued)*

The number of the remaining four (2008: three) employees whose emoluments fall within the following band:

	2009	2008
HK$nil to HK$1,000,000	**4**	3

10 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 are 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 assessable profits (2008: 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.

	2009	2008
	HK$'000	*HK$'000*
Taxation charge		
Current tax		
– Overseas taxation	**6**	8

10 TAXATION *(Continued)*

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 of the consolidated companies is as follows:

	2009	2008
	HK$'000	*HK$'000*
Profit before taxation	**754**	381
Calculated at a taxation rate of 16.5% (2008: 17.5%)	**124**	67
Tax effect of income not subject to taxation	**(148)**	(70)
Tax effect of expenses not deductible for taxation purposes	**361**	387
Tax effect of temporary differences for the year unrecognised	**(26)**	(4)
Tax effect of tax losses for the year unrecognised	**–**	12
Tax effect of utilisation of previously unrecognised tax losses	**(409)**	(502)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**104**	118
Taxation charge	**6**	8

11 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 HK$9,000 (2008: HK214,000).

12 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.

	2009	2008
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company	**748**	382
Weighted average number of ordinary shares in issue during the year	**473,235,473**	472,811,363
Basic earnings per share	**0.16 cent**	0.08 cent

(b) Diluted earnings per share

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

	2009	2008
	HK$'000	*HK$'000*
Profit for the year attributable to equity holders of the Company	**748**	382
Weighted average number of ordinary shares in issue during the year	**473,235,473**	472,811,363
Weighted average number of ordinary shares issued at no consideration on deemed exercise of all shares options outstanding during the year	**2,901,072**	6,010,138
	476,136,545	478,821,501
Diluted earnings per share	**0.16 cent**	0.08 cent

Notes to the Financial Statements

13 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 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
Additions	253	46	–	299
Currency realignment	(91)	–	–	(91)
At 31 March 2009	5,291	257	141	5,689
Accumulated depreciation				
At 1 April 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
Depreciation provided for the year	126	4	–	130
Currency realignment	(91)	–	–	(91)
At 31 March 2009	5,002	215	141	5,358
Net book value				
At 31 March 2009	289	42	–	331
At 31 March 2008	162	–	–	162

Notes to the Financial Statements

14 INTERESTS IN SUBSIDIARIES

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

	2009	2008
	HK$'000	*HK$'000*
Unlisted shares, at cost	**24,336**	24,319
Impairment losses	**(24,336)**	(24,319)
	–	–
Amounts due from subsidiaries *(Note (i))*	**28,594**	30,699
Allowance for impairment of doubtful debts	**(28,594)**	(30,699)
	–	–
	–	–

Details of the subsidiaries at 31 March 2009 are as follows:

Name	**Country/ 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%

14 INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Country/ 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%
M Telecom Limited	Hong Kong	Not yet commenced business	100 ordinary shares of HK$1 each	100%
北京尚世嘉華咨詢有限責任公司	PRC	Provision of technical information consultancy services	RMB100,000	60%
廣州市八達網科技有限公司	PRC	Provision of mobile data solutions and related services	HK$900,000	100%

14 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 2009, the amounts due of HK$28,594,000 (2008: HK$30,699,000) 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:

	2009	2008
	HK$'000	*HK$'000*
At beginning of the year	**30,699**	32,849
Unused amounts reversed	**(2,105)**	(2,150)
At end of the year	**28,594**	30,699

(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.

15 INTEREST IN AN ASSOCIATE

	2009	2008
	HK$'000	*HK$'000*
Share of net assets, other than goodwill	**1,652**	764
Goodwill	**5,513**	5,250
	7,165	6,014
Due from an associate	**959**	724
	8,124	6,738

(a) Except for the loan amount of 250,000 which is charged at 5% per annum and will be repaid in six months, the other balance due from an associate is unsecured, interest free and has no fixed term of repayment. It is neither past due nor impaired.

15 INTEREST IN AN ASSOCIATE *(Continued)*

(b) The Group's interest in its associate, which is unlisted and engaged in the business of 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
2009							
廣州流之動資訊技術有限公司	RMB1,000,000	PRC	5,169	1,138	8,062	1,906	43.3
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

On 4 May 2008, the Group has further acquired 3.3% additional interest in the associate at a consideration of RMB300,000, which is satisfied in cash.

16 FINANCIAL INSTRUMENTS BY CATEGORY

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

	GROUP Loans and receivables	
	2009	2008
	HK$'000	*HK$'000*
Assets as per consolidated balance sheet		
Amount due from an associate	**959**	724
Trade and other receivables	**3,619**	3,695
Cash and deposits with banks	**19,781**	20,019
	24,359	24,438

16 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

	COMPANY Loans and receivables	
	2009 ***HK$'000***	2008 *HK$'000*
Assets as per balance sheet		
Prepayments and other receivables	**180**	223
Cash and deposits with banks	**17,679**	17,331
	17,859	17,554

	GROUP Financial liabilities at amortised cost	
	2009 ***HK$'000***	2008 *HK$'000*
Liabilities as per consolidated balance sheet		
Trade and other payables	**4,558**	4,154

	COMPANY Financial liabilities at amortised cost	
	2009 ***HK$'000***	2008 *HK$'000*
Liabilities as per balance sheet		
Other payables	**363**	153

17 TRADE AND OTHER RECEIVABLES

	GROUP	
	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**2,895**	2,416
Prepayments, other receivables and deposits	**724**	1,279
	3,619	3,695

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

	GROUP	
	2009	2008
	HK$'000	*HK$'000*
Less than 30 days	**1,259**	1,556
31 to 60 days	**758**	354
61 to 90 days	**261**	29
Over 90 days	**617**	477
	2,895	2,416

17 TRADE AND OTHER RECEIVABLES *(Continued)*

As at 31 March 2009, trade receivables of HK$1,636,000 (2008: HK$860,000) 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 analysis of these receivables is as follows:

	GROUP	
	2009	2008
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,259**	1,556
Less than 30 days past due	**677**	383
31 to 60 days past due	**209**	–
61 to 90 days past due	**200**	19
Over 90 days past due	**550**	458
	1,636	860
	2,895	2,416

As at 31 March 2009, none of prepayments, other receivables and deposits was past due nor impaired.

Movements on the allowance for impairment of doubtful debts are as follows:

	2009	2008
	HK$'000	*HK$'000*
At beginning of the year	**–**	912
Uncollectible amount written-off	**–**	(912)
At end of the year	**–**	–

18 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and deposits with banks in the balance sheet	**19,781**	20,019	**17,679**	17,331
Less: Bank deposit with maturity greater than three months	**–**	4,125	**–**	4,125
Cash and cash equivalents in the cash flow statement	**19,781**	15,894	**17,679**	13,206

The effective interest rates for time deposits were in the range of 0.65% – 0.89% (2008: 2.6% – 3.7%) per annum; these deposits have maturity of less than three months.

19 SHARE CAPITAL

	Ordinary shares of US$0.01 each	
	Number of shares	**Nominal value**
		HK$'000
Authorised:		
At 1 April 2007, 31 March 2008 and 31 March 2009	2,000,000,000	156,000
Issued and fully paid:		
At 1 April 2007 and 31 March 2008	472,811,363	36,930
Shares issued upon exercise of share options *(Note)*	600,000	47
At 31 March 2009	473,411,363	36,977

Note:

On 17 July 2008, 600,000 share options were exercised at an exercise price of HK0.09 each, resulting in an issue of 600,000 shares for a total consideration (before expenses) of HK$54,000.

20 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 1,367,500 (2008: 2,530,000) shares at exercise prices ranging from HK$0.103 to HK$0.191 each, representing, in aggregate, approximately 0.28% 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 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.

On 17 July 2008, the subscription rights attaching to 600,000 share options were exercised at the exercise price of HK$0.09 per share, resulting in the issue of 600,000 shares of 0.09 each and new share capital of HK$47,000 and share premium of HK$7,000, together with a release of the share options reserve amounting to HK$11,000 which is credited to the share premium account *(note 21)*. The closing price of the Company's ordinary shares immediately before the date on which the options exercised is HK$0.13 per ordinary share.

20 SHARE OPTIONS *(Continued)*

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

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

	Number of options	
	2009	2008
At beginning of the year	**2,530,000**	2,530,000
Transfer in	**–**	190,000
Exercised	**(600,000)**	–
Transfer out	**–**	(190,000)
Lapsed	**(562,500)**	–
At end of the year	**1,367,500**	2,530,000

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

(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 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.

20 SHARE OPTIONS *(Continued)*

(ii) Share Option Scheme *(Continued)*

On 13 February 2009, share options were granted to grantees to subscribe for 9,968,226 shares of the Company at an exercise price of HK$0.101 each. Among the total of 9,968,226 options, 4,734,113 options were granted to Dr. Chan Chung.

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

	Number of options	
	2009	2008
At beginning of the year	**9,456,226**	4,728,113
Granted during the year *(Note (iv))*	**9,968,226**	4,728,113
At end of the year	**19,424,452**	9,456,226

No share options were exercised and lapsed during the year.

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

(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.

20 **SHARE OPTIONS** *(Continued)*

(iv) **Fair values on share-based payments**

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

	Share options granted on	
	13 February 2009	**12 February 2008**
	(Note (ii))	*(Note (i) and (ii))*
Share price	HK$0.101	HK$0.191
Exercise price	HK$0.101	HK$0.191
Expected volatility	46.30%	40.80%
Expected option life (in years)	3	3
Risk-free-rate	0.85%	1.6%
Expected dividends	Nil	Nil

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

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

The Group recognised the staff cost of HK$32,000 for the year ended 31 March 2009 (2008: HK$277,000) in relation to share options granted by the Company on 13 February 2009.

21 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	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 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)
Shares issued upon exercise of share options	7	–	–	–	–	–	7
Recognition of share option benefits at fair value	–	–	–	–	32	–	32
Currency translation differences	–	–	–	3	–	–	3
Share options forfeited	–	–	–	–	(13)	13	–
Transfer on exercise of share options	11	–	–	–	(11)	–	–
Profit for the year	–	–	–	–	–	748	748
Balance at 31 March 2009	35,582	16,375	2,943	543	320	(65,443)	(9,680)

21 RESERVES *(Continued)*

(b) Company

	Share Premium HK$'000 (Note (iii))	Contributed surplus HK$'000 (Note (ii))	Capital redemption reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 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)
Shares issued upon exercise of share options	7	–	–	–	–	7
Recognition of share option benefits at fair value	–	–	–	32	–	32
Share options forfeited	–	–	–	(13)	13	–
Transfer on exercise of share options	11	–	–	(11)	–	–
Profit for the year	–	–	–	–	9	9
Balance at 31 March 2009	35,582	16,375	2,943	320	(74,701)	(19,481)

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

22 TRADE AND OTHER PAYABLES

(A) GROUP

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**2,272**	2,598
Accrued expenses	**1,759**	950
Other payables	**515**	594
Deposits received	**12**	12
	4,558	4,154

The ageing analysis of trade payables is as follows:

	2009	2008
	HK$'000	*HK$'000*
Less than 30 days	**701**	994
31 to 60 days	**636**	383
61 to 90 days	**228**	134
Over 90 days	**707**	1,087
	2,272	2,598

In the opinion of the directors, all trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

(B) COMPANY

	2009	2008
	HK$'000	*HK$'000*
Other payables	**363**	153

In the opinion of the directors, all other payables are expected to be settled or recognised as income within one year or are repayable on demand.

23 DEFERRED TAXATION

There was no deferred tax asset recognised during the year due to unpredictability of future profit streams.

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

	GROUP	
	2009	2008
	HK$'000	*HK$'000*
Deductible temporary differences	**878**	1,035
Unused tax losses	**30,212**	32,703
	31,090	33,738

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.

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Acquisition of a subsidiary

On 2 May 2007, the Group acquired 60% of the issued share capital of 北京尚世嘉華咨詢有限責任公司, a company engaged in provision of technical information consultancy services. The acquired business contributed revenue of HK$136,000 and 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 tax would have been HK$290,000.

24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

Acquisition of a subsidiary *(Continued)*

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

	2009 HK$	2008 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 consideration *(Note 6)*	–	13,113

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

	Acquiree's carrying amount 2009 HK$	2008 HK$
Cash and cash equivalents	–	8,839
Property, plant and equipment *(Note 13)*	–	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 subsidiary acquired	–	8,839
Cash inflow on acquisition	–	8,838

25 COMMITMENTS

(a) At 31 March 2009, the capital commitments outstanding not provided for in the financial statements were as follows:

	2009 *HK$'000*	2008 *HK$'000*
Contracted for increase in interest in a subsidiary	**750**	–

The commitment in respect of the increase in interest in a subsidiary is to be satisfied by payment in cash.

(b) The Group leases certain of its office properties under operating lease arrangement, with lease negotiated for original terms of three years.

None of the leases includes contingent rentals.

At 31 March 2009, the Group had the total future minimum lease payments under various non-cancellable operating leases falling due as follows:

	2009 *HK$'000*	2008 *HK$'000*
Within one year	**897**	710
In the second to fifth years, inclusive	**586**	–
	1,483	710

26 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.

26 EMPLOYMENT RETIREMENT BENEFIT *(Continued)*

	2009	2008
	HK$'000	*HK$'000*
Contributions to MPF scheme	**173**	136

27 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	2009	2008
	HK$'000	*HK$'000*
Associate:		
Balance due to the Group as at the balance sheet date *(Note (i))*	**959**	724
Interest received	**6**	–
Subcontracting charges	**40**	–

Notes:

(i) Except for the loan amount of HK$250,000 which is charged at 5% per annum and will be repaid in six months, the other balance due from an associate is unsecured, interest free and has no fixed term of repayment.

(b) During both years, compensation of key management personnel represents directors' remuneration, as stated in note 9. The directors' remuneration is determined by the remuneration committee having regard to the performance, responsibilities and experiences of individuals and market trends.

28 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 arising in the normal course of its business and financial instruments. 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.

28 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(Continued)*

(a) Financial risk factors *(Continued)*

(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 Renminbi.

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 instruments denominated in foreign currencies is prepared since the management's assessment of reasonably possible changes in value of the HK dollars against foreign currencies is insignificant.

(ii) Cash flow and fair value interest rate risk

Except for short term bank deposits *(note 18)*, 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.

In the opinion of directors, they do not anticipate any significant possible changes in interest rates for the relevant financial instruments in existence at the balance sheet date over the period until the next annual balance sheet date. Accordingly, no sensitivity analysis for the Company's exposure to interest rate risk arising from such relevant financial instruments is prepared.

28 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(Continued)*

(a) Financial risk factors *(Continued)*

(1) Market risk *(Continued)*

(iii) Price risk

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

(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 2009 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 62% (2008: 75%) of the total trade receivables were due from the five largest clients, all of them are the world's major mobile network operators.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from amount due from associate, and trade and other receivables are set out in notes 15 and 17.

28 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-derivative 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*
2009		
Trade payables	2,272	2,272
Accrued expenses	1,759	1,759
Other payables	515	515
Deposit received	12	12
	4,558	4,558
2008		
Trade payables	2,598	2,598
Accrued expenses	950	950
Other payables	594	594
Deposit received	12	12
	4,154	4,154

28 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 materially different from their carrying amounts because of the 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 2009, the Group's strategy, which was unchanged from 2008, was to maintain or adjust the ratio at the range of 10% to 20%. In order to maintain or adjust the ratio, the Company may adjust the amount of dividend paid to shareholders, issue new shares and return capital to shareholders.

28 FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES *(Continued)*

(c) Capital risk management *(Continued)*

The debt-to-adjusted capital ratios at 31 March 2009 and 2008 were as follows:

	2009	2008
	HK$'000	*HK$'000*
Current liabilities		
Trade and other payables	**4,558**	4,154
Total debts	**4,558**	4,154
Adjusted capital	**27,297**	26,460
Debt-to-adjusted capital ratio	**16.70%**	15.70%

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

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

The HKICPA has issued the following standards, interpretations and amendments which are not yet effective as of the date of these financial statements:

Effective for annual periods beginning on or after 1st July, 2008

HK(IFRIC) – Int 13	Customer Loyalty Programmes

Effective for annual periods beginning on or after 1st October, 2008

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate

Effective for annual periods beginning on or after 1st July, 2009

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners

Effective for transfers on or after 1st July, 2009

HK(IFRIC) – Int 18	Transfer of Assets from Customers

Apart from the above, the HKICPA has also issued “Improvements to HKFRSs” which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 which is effective for annual periods beginning on or after 1st July, 2009, other amendments are effective for annual periods beginning on or after 1st January, 2009.

29 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS THAT ARE NOT EFFECTIVE *(Continued)*

The application 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 after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. HKAS 1 (Revised) will prohibit the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

Five Fiscal Years Financial Summary

RESULTS

					As restated
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**20,321**	19,742	21,717	20,982	20,950
Profit/(loss) attributable to shareholders	**748**	382	7,849	(1,322)	(4,167)

ASSETS AND LIABILITIES

					As restated
	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**31,855**	30,614	29,211	26,038	28,711
Total liabilities and minority interests	**(4,558)**	(4,154)	(3,440)	(8,089)	(11,868)
Shareholders' funds	**27,297**	26,460	25,771	17,949	16,843