Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8266

Annual Report 2010

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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 of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

Contents

Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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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
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Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
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68 Fort Street
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Cayman Islands
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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WEBSITE

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STOCK CODE

8266

Chairman's Statement

OPERATING RESULTS

Mobile Telecom Network (Holdings) Limited and its subsidiaries (the "Group") turned to loss for the financial year ended 31 March 2010 mainly due to the relatively weak performance in provision of mobile value added services amid the global economic recession during the year. Despite preventive measures taken by the Group to moderate the effect, the Group's turnover decreased to HK$18,134,000 for the year compared to that of HK$20,321,000 last year, representing a decline of 10.8%. As such, the Group recorded a loss of HK$679,000 as compared to a profit of HK$748,000 for the last year. Notwithstanding, the Group has managed to retain its gross profit margin at 46.2% which slightly dropped from 47.4% recorded in the last year.

OVERVIEW

Due to the ongoing changes in mobile technologies and platforms, especially the market permeation of the iPhone and other smart phones, the Group has been refining current mobile value added services ("MVAS") for such transitions in consumer behaviors. For the competitions stemming from Apple's application stores, the Group has suffered a decrease of MVAS revenue from the mobile operators' on-portal business. As a result, the Group is exploring new business models to complement the established "on-portal" operator business and the emerging "off-portal" business marketed directly to the consumers.

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. After the successful football season ended in April 2009, our Sports MVAS revenues in 2009 were boosted in part by the coverage of major international sporting events, such as the World Cup Qualifying football services and East Asian Games 2009. The Group is also developing multiple services for the upcoming World Cup event. The Group's real time soccer info streaming service was selected by the Hong Kong Wireless Development Centre for the Innovative TD-SCDMA Services and Applications Awards and showcased at the Hong Kong Cyberport TD-SCDMA Service Development Centre.

We have also deployed the sports services into Indonesia, Taiwan, Singapore, Sri Lanka, and 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 regional mobile operators' networks.

Chairman's Statement

The mobile entertainment experience has been becoming richer and user-friendlier thus delivering more real value for the subscribers. Leveraging on our partnerships with various content and technology providers, the Group continued to offer a wide range of quality contents targeted at the mobile users, and creating an innovative and targeted platform with a new business model for potential advertisers. The Group has extended the Sports & Entertainment services into different mobile application platforms and launching the applications individually into the application store of the relevant mobile platform. The Group has appointed several media agencies to explore with potential advertisers to form new business partnerships.

We are participating in the launching of the mobile TV services with 3HK in Hong Kong and also offering various mobile TV services across the region. Other than operating all the movie channels with all 6 mobile operators in Hong Kong, the Group has partnered with Nokia Hong Kong to deploy the mobile ticketing service. The mobile ticketing service is the 1st Nokia Widget mobile payment application which is compatible with all the latest N60 series handsets in Hong Kong. The Group believes mobile TV and mobile payment service will be a natural extension from our value added services business.

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 services provisioning in Hong Kong and Macau, the Group has successfully extended and is continually expanding 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 as Channel [V] into the mobile channels for the mobile TV services, Video on Demand, and interactive blogging services with the integration with Channel [V] Web portal. The Channel [V] mobile service is now available in all 3G mobile operators in the Hong Kong market. Following the successful cooperation with Channel [V], The National Geographic Channel has also appointed MTel as a technical partner to deploy the National Geographic Mobile application for Blackberry handsets and the application is now available in the Australia market.

For this summer holidays, the Group has partnership with GME model agency and has launched the 1st Hong Kong Young Idols channel featuring the hottest idol – Miss Chrissie Chau and other 8 top young idols. This channel is now exclusive with Hutchison 3HK and now has extended into the iPhone application. The Group has also conducted several major joint promotions with movie distributors and mobile operators for major blockbuster movies including Transformers 2, Harry Porter, Monsters vs Aliens, GI Joe, and etc. Our movie channels have already deployed our mobile interactive gaming services with mobile operators including CSL, Hutchison 3 HK, SmarTone-Vodafone, PCCW Mobile, and China Mobile Hong Kong as a joint promotion with movie distributors. This interactive gaming service has also extended into other content channels which are targeting different segments of mobile users including Sports, Gaming, and Lifestyles centric group of youth.

Chairman's Statement

The Group believes the interactive gaming service is the evolution of deploying mobile content services that focuses on the interactive aspect and creates unique applications that simulate users' interests and enjoyment. Those interactive gaming services are mainly associated with key campaigns together with advertisers for sponsorship including 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 and the recent mobile campaigns including Transformers 2, GI Joe, Hasbro, M&Ms, and etc. 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 Electronic Art Mobile and THQ Wireless, 2 major game developers to distribute their games & contents in Hong Kong and Macau market and we are now signing more than 100+ games & content developers. Beside the game distribution, the Group has allocated more resources into the marketing promotion of launching several key campaigns with the mobile operators and game providers. We further assist our games & content partners to enter 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 MVAS. In Hong Kong, China Mobile Hong Kong has appointed the Group as a Master Game Provider to manage the entire JAVA Games business and the service has commenced in April 2009 and the Group is now working as a Master Game Provider in JAVA Games business with 7 major mobile operators in Hong Kong and Macau. 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 since 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.

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 to look for iPhone, Widget type of client application 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 since 11 July 2008 and the Group started to develop more widget applications with different handset manufacturers.

The Group has formed a partnership with several international content providers to distribute its branded contents on wireless distribution of its rich content pool that brings iconic branded titles such as Monsters vs Aliens, Transformers 2, GI Joe, X Men, and Harry Porter content to 3G and 2G mobile users in Hong Kong and other countries. Through our GloDan network, Electronic Art Mobile has recently been made available to Hong Kong subscribers and the services are also available in various forms, including popular brands with movie, TV dramas, console games, and toy related titles. The Group is strongly poised to provide consumers with innovative new products that target 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 licensed our content management and delivery system to Hong Kong Jockey Club, facilities to manage workflow needed to collaboratively publish various kinds of digital media and content feed and dispatch into various types of media channel or to external parties.

The Group continues to develop new services in China including portals and e-business platforms development supporting services to China Mobile and e-business platform development with China Mobile – Inner Mongolia on B2C business. The Group also provided services to China Mobile at both provincial and municipal levels include China Mobile – Beijing, China Mobile – Guangdong, China Mobile – Jiangsu, China Mobile – Inner Mongolia, China Mobile – Dongguan, China Mobile – Foshan and China Mobile – Guangzhou. On 31 July 2009, The Hong Kong Wireless Development Center signed an MOU with Jiangmen 3G Application Industrial Base and MTel will be appointed as the 1st MVAS provider to cooperate with five other parties inclusive of: Information Office of Jiangmen Municipal, Pengjian District People's Government of Jiangmen City, China Mobile, China Telecom and China Unicom to further foster partnership and new business opportunities.

The Group has received the Award of the 2009 Most Innovative Chinese Enterprise from the committee organized by the China Productivity Society, the China Marketing Society and the Chinese Enterprise Newspaper. The award ceremony took place at the Great Hall of China during the China 2009 (9th session) of Enterprise Innovation Forum held at Beijing in June 2009.

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, 23 June 2010

Management Discussion and Analysis

BUSINESS REVIEW

Financial Performance

Mobile Telecom Network (Holdings) Limited and its subsidiaries (the "Group") turned to loss for the financial year ended 31 March 2010 mainly due to the relatively weak performance in provision of mobile value added services amid the global economic recession during the year. Despite preventive measures taken by the Group to moderate the effect, the Group's turnover decreased to HK$18,134,000 for the year compared to that of HK$20,321,000 last year, representing a decline of 10.8%. As such, the Group recorded a loss of HK$679,000 as compared to a profit of HK$748,000 for the last year. Notwithstanding, the Group has managed to retain its gross profit margin at 46.2% which slightly dropped from 47.4% recorded in the last year.

Segmental Information

Among the various markets in the Asia Pacific region, Hong Kong/Macau is the main revenue contributor to the Group, accounting for 94.0% (2009: 92.9%) of the Group's turnover, while Singapore, Taiwan and Australia generated approximately 2.5%, 1.5% and 1.0% respectively (2009: 2.4%, 1.2% and 1.0% 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. We leverage our long experience in mobile services provisioning with diverse operator requirements and user interests into a MobileSurf platform that comprises best of class operations for next generation mobile services to mobile network operators focusing on mobile data services.

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

Hong Kong, September 2009 – MTel has revamped our mobile movie channel with all major mobile operators including CSL Hong Kong, 3HK, SmarTone-Vodafone and China Mobile Hong Kong. The new service shall provide the interactive gaming for movie ticket redemption. The Group believes the interactive gaming with premium prize redemption shall create more traction and stickiness from the movie fans into our channel. In addition, the movie channel has been extending into the mobile applications in various platforms and launching with handset application stores.

Hong Kong, October 2009 – MTel cooperates with RIM and National Geographic to deploy the mobile application for all latest Blackberry handsets including Storm, Curve and Bold devices. The National Geographic Mobile provides video clips, instant news, TV listing, NatGeo club, and downloadable content and now available in Australia market.

Management Discussion and Analysis

Singapore, November 2009 – MTel introduces one of the leading online browser games portal – Big Points with a world-class selection of the browser game titles in Asia market and now available at SingTel – GXCredits Gamig Portal in Singapore market.

Hong Kong, March 2010 – The National Geographic mobile application has been extending into a relationship with PCCW Mobile with using their BlackBerry smartphones to keep them entertained and informed whiles they are on the go.

Sales and Marketing Activities

The Group has been extending more proprietary applications into the interactive features on its MobileSurf platform for smart phones. One of the key focus is the Group shall extend our game download platform into the mobile application stores with mobile operators. This mobile application stores shall provide more applications for a full range of handsets and platforms including JAVA, Symbian, Widget, Windows Mobile, Android, etc. 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. In respect of mobile application stores, the Group has benefited from its strength in content offerings in cooperation with handset manufacturers to develop mobile applications.

The mobile industry is in a transition from simple short message and entertainment to serious customer services and enterprise applications. The Group has recently embarked more significantly on mobile application development and in conjunction with mobile marketing. Mobile marketing applications in conjunction with the Group's existing value-added services for 2.5G & 3G become a unique advantage for us. 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.

The Group has expanded its focus in the PRC and worked with China Mobile (Guangdong) via MTel China in Guangzhou. The Group leverages its 3G experiences and plans to expand 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. The Group has been exploring the development potential in the markets of Jiangmen and Qingdao.

Management Discussion and Analysis

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 enables us to become the premier 3G services enabler in the PRC and regional markets.

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.

PROSPECT

Since Hong Kong is slowly recovering from the worldwide financial crisis, the Group has been increasing its investment in human resources on strengthening key business in existing key markets and exploring new business with mobile applications. 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 both in premium services and advertising model associated with existing channels with mobile operators business and mobile application with handsets' application stores business. 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 as more demands from various handset manufacturers.

We expand content aggregation business to include IP rights management for our partners. For some of the new markets 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. In term of the content strategy, the Group is exploring the cross platform value added services with mobile operators and the Group shall extend some of the core value added services into the Web platform business as well as the mobile operators have extended their business strategies into the mobile broadband. In addition, the Group is extending several key value added services into the client applications and launching with handset manufacturers for pre-install application or handset vendors' application stores.

Management Discussion and Analysis

For the more advanced 3G markets such as 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 the Asian markets. In addition, the Group has formed and extended our focus into the mobile enterprise market which tackles into the vertical market with SME businesses. The Group believes it will be driven another new revenue stream both on recurrent and project based business.

In addition, the Group is working closely with mobile operators to strengthen our sports channel as well as the new football services riding on the World Cup. The Group believes the Sports channel shall be one of our key value added services in mobile market and the Group is partnering with various media agencies to explore the mobile advertising into our Sports channel. 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 Asian contents for Chinese communities in the region. In the advanced 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 Game business, the Group is focusing on our key partners and providing them with greater levels of innovation, support and attention; this has enabled us to significantly reduce overheads and generate more margin of business for the year.

For the existing markets, China, Hong Kong, Singapore and Taiwan 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 outsourcing of lower requirement projects to its associated 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.

Management Discussion and Analysis

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 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 Asian markets. The overall revenue in other markets is expected to achieve a higher growth in the upcoming quarters.

The Group believes the advertising and MVAS businesses are robust in recent years because of a strong local economy, growth in mobile users and a shift of advertising budgets from traditional media to online media. In order to grow our mobile user base and attract new advertisers, the Group expects to continue to invest in new and innovative services and services enhancement, expand the content and services on our network and distribution channels. The Group also expects to continue to invest in marketing initiatives both on-portal and off-portal business to increase the awareness of our brand to both users and advertisers.

The Group is focusing its business to serve various brands to mobilize their contents 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 contents and services. The devices will be available to consumers in Hong Kong and, afterwards 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 other competitors in the region.

Management Discussion and Analysis

DEVELOPMENTS SINCE THE FINANCIAL YEAR-END

There have been several developments involving shareholdings in the Company since the end of the year under review. The controlling shareholder of the Company, Silicon Asia Limited that is beneficially wholly owned by Dr. Chan Chung, entered a sale and purchase agreement dated 22 April 2010 to sell 177,785,861 shares of the Company to China Oil Resources Group Limited, a direct wholly owned subsidiary of PetroAsian Energy Holdings Limited whose issued shares are listed on the Main Board of the Stock Exchange (stock code: 850). This transaction has substantially altered the shareholding structure of the Company and, in accordance with the Hong Kong Code on Takeovers and Mergers, China Oil Resources Group Limited was required to make the mandatory conditional cash offer for all the issued shares of the Company hold by other shareholders at a price of HK$0.2 per share in cash and a comparable cash offer for cancellation of all then outstanding share options. Further details of the mandatory conditional cash offer are set out in the composite offer and response document dated 3 June 2010 jointly published by the Company, China Oil Resources Group Limited and PetroAsian Energy Holdings Limited.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a stable financial position. As at 31 March 2010, the Group had net current assets of approximately HK$17,853,000 (2009: HK$18,842,000), of which approximately HK$10,178,000 (2009: HK$19,781,000) were bank balances and cash. The Group's other current assets recorded at 31 March 2010 mainly comprised approximately HK$11,941,000 (2009: HK$3,619,000) in trade receivables, other receivables, deposits and prepayments, and financial assets designated as at fair value through profit or loss, which increased by 230.0% when compared with previous financial year. Current liabilities of the Group decreased by 6.4% amounting to HK$4,266,000 (2009: HK$4,558,000). The Group did not have any long-term liabilities as at 31 March 2010.

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.

GEARING RATIO

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.16 as at 31 March 2010 (2009: 0.17).

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURE

As at 31 March 2010, the Group had fixed deposits of approximately HK$4,800,000 (2009: Nil) in Pounds Sterling and premium deposits linked with foreign currencies of approximately HK$8,000,000 (2009: Nil) that were mainly linked to Australian Dollars and Pounds Sterling, being financial products with defined and limited risks and not belonging to any kind of accumulators. Further details of these premium deposits are set out in note 18 to the financial statements.

Save for the above, the income and expenditure of the Group are mainly denominated in Hong Kong Dollars and thus the impact of foreign exchange exposure to the Group is considered minimal in this respect and no hedging or other arrangements to reduce the currency risk have been implemented.

The other information of foreign exchange and currency risks of the Group is set out in note 28 to the financial statements.

CAPITAL STRUCTURE

There was no change in the capital structure of the Group as at 31 March 2010 as compared with that as at 31 March 2009.

MATERIAL ACQUISITION AND DISPOSAL

As at 31 March 2010, the Group had no material acquisitions or disposals during the year.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2010, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at 31 March 2010, the Group did not have any contingent liabilities.

EMPLOYEE INFORMATION

As at 31 March 2010, the Group had a total of 27 employees in Hong Kong while our China associate employed 82 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$7,356,000 for the year ended 31 March 2010 (2009: HK$7,308,000). 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 53, 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 United States. Dr. Chan has been elected as a fellow of the Institute of Electrical and Electronics Engineers in the United States and graduated with a doctor degree in philosophy from the University of Lowa in 1981.

Mr. Chan Wai Kwong, Peter, aged 56, is an Executive Director and the 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.

Mr. Siu King Nin, Peter, aged 69, has newly been appointed as an Executive Director of the Group on 10 June 2010. Mr. Siu is responsible for the formulation and execution of business strategies as well as corporate management of the Group. Mr. Siu has had over 35 years of experience in the banking and financial services sector serving at senior management level in various leading banks and financial institutions in the United States, Canada and Hong Kong. Mr. Siu was an executive director of Grand Field Group Holdings Limited (Stock code: 115) from 6 September 2006 to 31 May 2007. Save as disclosed, Mr. Siu has not held any directorship in listing public companies in the last three years preceding his appointment.

Independent Non-executive Directors

Mr. Jeffery Matthew Bistrong, aged 47, 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 43, 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 47, 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 35, 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 10 years experience in accounting and auditing fields.

Mr. Wong Ming Wai, aged 34, 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 8 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 33, 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 project-based 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 50, is the Vice President of business development (China Operation) of the Group. Mr. Mo joined the Group in December 2004 and is 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 27, is the Head of IT and Business Solutions 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 7 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 of the Company and the Group for the year ended 31 March 2010.

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 geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2010 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 37 to 103.

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

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 22 to the 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 20 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 is 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 2010 is set out on page 104.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

Report of the Directors

SHARE OPTIONS RULES

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

(i) Pre-IPO Share 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 2010 are set out below:

Name	Date of grant	Number of Share Options: Outstanding as at 1 April 2009	Granted during the year under review	Exercised during the year under review	Lapsed during the year under review	Outstanding as at 31 March 2010	Approximate percentage of issued share capital	Option period	Consi-deration for the grant of the option *HK$*	Exercise price per share *HK$*
Executive Directors										
Dr. Chan Chung	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	492,500	–	–	–	492,500	0.104%	9 May 2003 – 8 May 2013	1.00	0.103
	09 February 2007	115,000	–	–	–	115,000	0.024%	9 February 2007 – 8 February 2017	1.00	0.090
	12 February 2008	60,000	–	–	(40,000)	20,000	0.004%	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
		1,367,500	–	–	(40,000)	1,327,500	0.279%			

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.

Report of the Directors

SHARE OPTIONS RULES *(Continued)*

(ii) Share Option Scheme

The Company operates the Share Option Scheme for the purpose of granting options to any full-time employees, executive or officers, directors of the Company or any of the subsidiaries and any 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 Share Option Scheme during the year are set out below:

		Number of Share Options								
Name	Date of grant	Outstanding as at 1 April 2009	Granted during the year under review	Exercised during the year under review	Lapsed during the year under review	Outstanding as at 31 March 2010	Approximate percentage of issued share capital	Option period	Con-sideration 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
	17 February 2010	–	4,734,113	–	–	4,734,113	1.000%	17 February 2010 – 16 February 2020	1.00	0.134
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
	17 February 2010	–	300,000	–	–	300,000	0.063%	17 February 2010 – 16 February 2020	1.00	0.134
		19,424,452	5,034,113	–	–	24,458,565	5.167%			

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.

Report of the Directors

SHARE OPTIONS RULES *(Continued)*

(ii) Share Option Scheme *(Continued)*

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

(a) Maximum number of Shares

Pursuant to the terms of the Share Option Scheme, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and Pre-IPO Share 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.

Report of the Directors

SHARE OPTIONS RULES *(Continued)*

(ii) Share Option Scheme *(Continued)*

(d) Granting options to connected persons

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

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

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

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

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

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

Report of the Directors

SHARE OPTIONS RULES *(Continued)*

(ii) Share Option Scheme *(Continued)*

(e) Time of exercise of option

The date of grant and acceptance of any particular option is the date when the 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
Mr. Siu King Nin, Peter (appointed on 10 June 2010)

Independent Non-executive Directors
Mr. Jeffery Matthew Bistrong
Mr. Chu Chin Tai, Eric
Mr. Chen Kwok Wang, Kester

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Siu King Nin, Peter will hold office only until the forthcoming annual general meeting of the Company and, being eligible, offers himself for re-election.

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

Report of the Directors

DIRECTORS *(Continued)*

Emoluments of the directors and the five highest paid individuals

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 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.

DIRECTORS' SERVICE CONTRACTS

Executive Directors, Dr. Chan Chung and Mr. Chan Wai Kwong, Peter has respectively 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.

Executive Director, Mr. Siu King Nin, Peter has entered into a service agreement with the Company for an initial term of three years commencing from 10 June 2010.

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 February 2010 for two years until 26 March 2012, 05 March 2012 and 30 March 2012 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 14.

Report of the Directors

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

As at 31 March 2010, 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. Subsequent to 31 March 2010, Silicon and Dr. Chan Chung entered a sale and purchase agreement dated 22 April 2010 to sell such 177,785,861 shares to a thirty party.

Report of the Directors

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
		17 February 2010	4,734,113	1.000%	17 February 2010 – 16 February 2020	1.00	0.134
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
			19,324,452	4.082%			

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.

Report of the Directors

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 2010, 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 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%
United Overseas Bank Limited ("UOB")	*(Note 4)*	27,295,584	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. Subsequent to 31 March 2010, Silicon and Dr. Chan Chung entered a sale and purchase agreement dated 22 April 2010 to sell such 177,785,861 shares to a thirty party.

Report of the Directors

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 2009, 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 the 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 2009, 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 a company incorporated in Singapore, the shares of which are listed on Singapore Stock Exchange Securities Trading Limited. Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of UOB or in accordance with whose directions or instructions UOB or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which UOB is interested under the SFO will be deemed to be interested in the 27,295,584 shares which UOB will be deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in UOB can be found in the information published by UOB from time to time and from the website of Singapore Stock Exchange Securities Trading Limited at www.sgx.com. According to the latest annual report of UOB, as at 31 December 2009, no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN 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 2010.

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	23.2%
– five largest suppliers combined	35.1%
Sales	
– the largest customer	27.7%
– five largest customers combined	58.0%

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 2010, 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 23 June 2010.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on page 30 of the Annual Report.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members comprising all independent non-executive directors namely Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Eric and Mr. Chen Kwok Wang, Kester. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. During the year, the audit committee has met four times to review the Company's financial reporting process. The Company's annual results for the year ended 31 March 2010 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 at the forthcoming annual general meeting.

On behalf of the Board

Chan Chung
Chairman
Hong Kong, 23 June 2010

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 2010. 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 2010.

BOARD OF DIRECTORS AND BOARD MEETING

The Board of Directors (the "Board") of the Company comprises six directors, including the Chairman who is an Executive Director, additional two Executive Directors 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 pages 14 to 15 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 three Executive Directors playing key management role. The Chairman of the Board and Executive Director, Dr. Chan Chung, is the founder 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, except for Mr. Siu King Nin, Peter (appointed on 10 June 2010), 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	4/4
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 Independent Auditor's Report.

AUDITOR'S REMUNERATION

For the year ended 31 March 2010, approximately HK$200,000 is payable to Ting Ho Kwan & Chan CPA, auditors of the Company for audit service.

Corporate Governance Report

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, Eric and Mr. Chen Kwok Wang, Kester. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. During the year, 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	4/4
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 be eligible for re-election at that meeting.

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 consolidated financial statements of Mobile Telecom Network (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 37 to 103, which comprise the consolidated and Company balance sheets as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 the consolidated 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 consolidated 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 requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's loss 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, 23 June 2010

Consolidated Income Statement

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	6	**18,134**	20,321
Other income and gains, net	6	**478**	641
Telecom operators and content providers costs		**(9,756)**	(10,685)
Employment costs		**(5,841)**	(5,797)
Research and development expenses		**(1,515)**	(1,511)
Depreciation of property, plant and equipment		**(184)**	(130)
Other operating expenses		**(2,643)**	(2,909)
Operating loss	7	**(1,327)**	(70)
Share of profit of an associate		**656**	824
(Loss)/profit before taxation		**(671)**	754
Taxation	10	**(8)**	(6)
(Loss)/profit for the year		**(679)**	748
Attributable to:			
Equity holders of the Company	11	**(679)**	748
Minority interests		**–**	–
		(679)	748
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company during the year	12		
– basic		**(0.14) cent**	0.16 cent
– diluted		**N/A**	0.16 cent

The notes on pages 44 to 103 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	2010 *HK$'000*	2009 *HK$'000*
(Loss)/profit for the year	**(679)**	748
Other comprehensive income for the year:		
Exchange differences arising on translation of financial statements of foreign operations	**29**	3
Total comprehensive (loss)/income for the year	**(650)**	751
Attributable to:		
Equity holders of the Company	**(650)**	751
Minority interests	**–**	–
Total comprehensive (loss)/income for the year	**(650)**	751

The notes on pages 44 to 103 are an integral part of these financial statements.

Consolidated Balance Sheet

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	301	331
Interest in an associate	15	8,731	8,124
		9,032	8,455
Current assets			
Trade and other receivables	17	3,757	3,619
Financial assets designated as at fair value through profit or loss	18	8,184	–
Cash and deposits with banks	19	10,178	19,781
		22,119	23,400
Total assets		31,151	31,855
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	20	36,977	36,977
Reserves	22	(10,092)	(9,680)
Total equity		26,885	27,297
LIABILITIES			
Current liabilities			
Trade and other payables	23	4,266	4,558
Total liabilities		4,266	4,558
Total equity and liabilities		31,151	31,855
Net current assets		17,853	18,842
Total assets less current liabilities		26,885	27,297

The financial statements were approved and authorised for issue by the Board of Directors on 23 June 2010.

Chan Chung
Chairman

Chan Wai Kwong, Peter
Director

The notes on pages 44 to 103 are an integral part of these financial statements.

Balance Sheet

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	14	–	–
Current assets			
Prepayments and other receivables	17	244	180
Financial assets designated as at fair value through profit or loss	18	8,184	–
Cash and deposits with banks	19	7,918	17,679
		16,346	17,859
Total assets		16,346	17,859
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	20	36,977	36,977
Reserves	22	(21,094)	(19,481)
Total equity		15,883	17,496
LIABILITIES			
Current liabilities			
Other payables	23	463	363
Total liabilities		463	363
Total equity and liabilities		16,346	17,859

The financial statements were approved and authorised for issue by the Board of Directors on 23 June 2010.

Chan Chung
Chairman

Chan Wai Kwong, Peter
Director

The notes on pages 44 to 103 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

		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 2008		36,930	35,564	20,170	(66,204)	26,460	–	26,460
Shares issued upon exercise of share options		47	18	(11)	–	54	–	54
Recognition of share option benefits at fair value	*22*	–	–	32	–	32	–	32
Share options forfeited	*22*	–	–	(13)	13	–	–	–
Total comprehensive income for the year		–	–	3	748	751	–	751
Balance at 31 March 2009		36,977	35,582	20,181	(65,443)	27,297	–	27,297
Recognition of share option benefits at fair value	*22*	–	–	238	–	238	–	238
Share options forfeited	*22*	–	–	(2)	2	–	–	–
Total comprehensive (loss)/income for the year		–	–	29	(679)	(650)	–	(650)
Balance at 31 March 2010		36,977	35,582	20,446	(66,120)	26,885	–	26,885

The notes on pages 44 to 103 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Operating activities			
(Loss)/profit before taxation		**(671)**	754
Adjustments for:			
Share-based payments	*22(a)*	**238**	32
Depreciation of property, plant and equipment	*13*	**184**	130
Net realised gain on financial assets designated as at fair value through profit or loss		**(38)**	–
Fair value losses on financial assets designated as at fair value through profit or loss	*18*	**54**	–
Interest income	*6*	**(101)**	(308)
Share of profit of an associate		**(656)**	(824)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
Trade and other receivables		**(138)**	76
Trade and other payables		**(292)**	404
Cash (used in)/generated from operations		**(1,420)**	264
Overseas taxation paid		**(8)**	(6)
Net cash (used in)/generated from operating activities		**(1,428)**	258
Investing activities			
Acquisition of additional investment in an associate		**–**	(327)
Net decrease/(increase) in amount due from an associate	*15*	**49**	(235)
Purchase of property, plant and equipment	*13*	**(154)**	(299)
Purchase of financial assets designated as at fair value through profit or loss		**(8,200)**	–
Interest received		**101**	308
(Increase)/decrease in bank deposits with maturity greater than three months	*19*	**(7,748)**	4,125
Net cash (used in)/generated from investing activities		**(15,952)**	3,572

Consolidated Statement of Cash Flows

For the year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Financing activities			
Proceeds from issue of shares		–	54
Net cash generated from financing activities		–	54
Net (decrease)/increase in cash and cash equivalents		(17,380)	3,884
Cash and cash equivalents at beginning of the year		19,781	15,894
Effect of foreign exchange rates changes		29	3
Cash and cash equivalents at end of the year	19	2,430	19,781

The notes on pages 44 to 103 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 (collectively 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 the 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 ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") 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 consolidated 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 "GEM Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Statement of compliance *(Continued)*

The preparation of consolidated 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 judgment 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 consolidated 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, except for certain investments classified as financial assets designated as at fair value through profit or loss, which are stated at fair values. The accounting policy on financial assets is summarised in note 2(i).

(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.

Notes to the Financial Statements

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 and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income 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 consolidated 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.

In the Company's balance sheet, investments in subsidiaries are stated at cost less any accumulated impairment losses (see note 2(h)), unless the investments are classified as held for sale (or included in a disposal group that is classified as held for sale).

Notes to the Financial Statements

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 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.

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 Group'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 Group 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.

The Group's investment in an associate include goodwill (net of any accumulated impairment losses) identified on acquisition (see note 2(h)).

When the Group's share of losses of an associate equals to or exceeds its interest in the associate, the Group 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 Group's net investment in the associate. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised profits and losses resulting from the Group's transactions with the associate are eliminated to the extent of the Group'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 the consolidated income statement for the impairment.

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(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.

(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 consolidated income statement, except when recognised in other comprehensive income and accumulated separately in equity.

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 recognised in other comprehensive income and accumulated separately in the fair value reserve in equity.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(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 and statement of comprehensive income 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 in other comprehensive income and accumulated separately in exchange translation reserve in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated separately in exchange translation reserve in equity. When a foreign operation is sold, such exchange differences are removed from equity and reclassified to profit or loss 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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 consolidated 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.

(f) Goodwill

Goodwill represents the excess of the cost of a business combination or 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 acquisition of an associate is included in investment in an associate. Goodwill is stated at cost less any accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generated unit and is tested annually for impairment. In respect, the carrying amount of goodwill is included in the carrying amount of the interest in the associate and the investment as a whole is tested for impairment whenever there is objective evidence of impairment. 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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets (other than goodwill)

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities, and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in the consolidated income statement.

Research and development expenses

All research costs are charged to the consolidated 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 2010 were expensed as no expenditure met the criteria for deferral.

(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 debtor;

– 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 debtor; and

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

Notes to the Financial Statements

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)

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

– For investment in an associate recognised using the equity method (see note 2b(ii)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note (ii) below. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note (ii) below.

– 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.

– 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 its 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 these 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 these 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 income statement. 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.

Notes to the Financial Statements

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)

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

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications 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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

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

– *Calculation of recoverable amount*

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

– *Recognition of impairment losses*

An impairment loss is recognised in the consolidated income statement 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 the consolidated income statement in the year in which the reversals are recognised.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets

The Group classifies its financial assets as loans and receivables, and financial assets designated as at fair value through profit or loss. 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 consolidated 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.

Financial assets designated as at fair value through profit or loss

Financial assets designated as at fair value through profit or loss includes financial assets held for trading, financial assets designated upon initial recognition as at fair value through profit or loss and all derivatives other than hedging instruments.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or its is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking. Derivatives including separated embedded derivatives are also designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivatives do not significantly modify the cash flows or it is clear that separation of the embedded derivatives is prohibited.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets *(Continued)*

Financial assets designated as at fair value through profit or loss *(Continued)*

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial assets contain an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group has designated its foreign currency-linked notes as at fair value through profit or loss in order to avoid the need to recognise separately embedded derivatives which were not closely related to the host contract.

(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.

Notes to the Financial Statements

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 statement of cash flows.

(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; and

– 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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using the tax rates enacted or substantively enacted at the balance sheet date. 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.

Notes to the Financial Statements

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 consolidated 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 Group 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 consolidated 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 accumulated losses).

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 the consolidated income statement on initial recognition of any deferred income.

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

Notes to the Financial Statements

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

Revenue is measured at the fair value of the consideration received or receivable. 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 the consolidated income statement 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.

Notes to the Financial Statements

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 consolidated income statement on a straight-line basis over the period of the lease.

(s) Related parties

For the purposes of these consolidated 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 family 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 which is 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.

Notes to the Financial Statements

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new and revised HKFRS that are first effective for the current accounting period of the Group as follows:

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Amendments)	Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligation Arising on Liquidation
HKFRS 2 (Amendments)	Share-based Payments – Vesting Conditions and Cancellations
Amendments to HKFRS 7	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRSs (Amendments)	Improvements to HKFRSs (2008)
HK(IFRIC) – Int 9 & HKAS 39	Embedded Derivatives
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers

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 except that the following set out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these consolidated financial statements. Accordingly, no prior period adjustment has been made.

Notes to the Financial Statements

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) HKAS 1 (Revised 2007) – "Presentation of Financial Statements"

As a result of the adoption of HKAS 1 (Revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expense in a revised consolidated statement of changes in equity. All other terms of income and expense are presented either in a one-statement (i.e. a single "Consolidated Statement of Comprehensive Income") or a two-statement (i.e. a "Consolidated Income Statement" together with a "Consolidated Statement of Comprehensive Income") approach. In addition, the "Consolidated Cash Flow Statement" is renamed as the "Consolidated Statement of Cash Flows". Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

(b) HKFRS 7 – "Financial Instruments: Disclosures"

As a result of the adoption of the amendments to HKFRS 7, the consolidated financial statements include expanded disclosures in note 28(c)(i) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

(c) HKFRS 8 – "Operating Segments"

HKFRS 8 requires segment disclosure to be based on the way that the Group's top management regards and manages the Group, with the amount reported for each reportable segment being the measures reported to the Group's top management for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's top management. In the past, the Group reported its segment by geographical segments only. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss *(see note 5)*.

Notes to the Financial Statements

3 CHANGES IN ACCOUNTING POLICIES *(Continued)*

(d) HKFRSs (Amendments) – "Improvements to HKFRSs (2008)"

The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:

As a result of amendments to HKAS 28, investments in associates, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses (if any) to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current of future periods and those impairment losses (if any) of previous periods have not been restated.

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective for the current accounting period (see note 31).

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.

Notes to the Financial Statements

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 consolidated financial statements.

The management considers that there is uncertainty and unpredictability of future profit streams available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred tax assets and income tax charge in the year in which such estimate has been changed.

Notes to the Financial Statements

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

Critical accounting estimates and assumptions *(Continued)*

(c) Estimated impairment of goodwill

The Group 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**

The Group has determined the operating segments based on the reports reviewed by the Group's top management that are used to make strategic decisions. As the Group is mainly engaged in the mobile data solutions business, the Group's top management considers the business mainly from a geographic perspective.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's top management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include mainly trade receivables, prepayments, other receivables, deposits and property, plant and equipment. Segment liabilities include trade creditors, accruals and other deposits received.

Revenue and expenses are allocated to the reportable segments with reference to sales generated and the expenses incurred by those geographical segments or which otherwise arise from the depreciation of assets attributable to those reportable segments.

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

Notes to the Financial Statements

5 SEGMENT INFORMATION *(Continued)*

The segment information provided to the Group's top management for the reportable segments for the year ended 31 March 2010 is as follows:

	Hong Kong/ Macau 2010 *HK$'000*	PRC 2010 *HK$'000*	Australia 2010 *HK$'000*	Singapore 2010 *HK$'000*	Taiwan 2010 *HK$'000*	Others* 2010 *HK$'000*	Total 2010 *HK$'000*
Turnover	17,054	–	176	448	264	192	18,134
Segment results	1,839	(147)	25	136	(640)	57	1,270
Unallocated costs							(2,597)
Operating loss							(1,327)
Share of profit of an associate							656
Loss before taxation							(671)
Taxation							(8)
Loss for the year							(679)
Segment assets	5,012	972	–	–	149	–	6,133
Interest in an associate							8,731
Unallocated assets							16,287
Total assets							31,151
Segment liabilities	(3,662)	(98)	–	–	(28)	–	(3,788)
Unallocated liabilities							(478)
Total liabilities							(4,266)
Capital expenditure	154	–	–	–	–	–	154
Depreciation of property, plant and equipment	180	4	–	–	–	–	184

* *Others represent turnover generated from Indonesia, Malaysia and Sri Lanka.*

Notes to the Financial Statements

5 SEGMENT INFORMATION *(Continued)*

The segment information for the year ended 31 March 2009 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

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

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

Notes to the Financial Statements

6 TURNOVER, OTHER INCOME AND GAINS, NET

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

	2010 *HK$'000*	2009 *HK$'000*
Turnover		
Service fees from provision of mobile data solutions and related services	**18,134**	20,122
Provision of consultancy services	**–**	199
	18,134	20,321
Other income		
Interest income	**101**	308
Sundry income	**328**	301
	429	609
Gains, net		
Exchange gains	**65**	32
Net realised gain on financial assets designated as at fair value through profit or loss	**38**	–
Fair value losses on financial assets designated as at fair value through profit or loss	**(54)**	–
	49	32
	478	641
	18,612	20,962

Notes to the Financial Statements

7 OPERATING LOSS

Operating loss is stated after charging the following:

	2010	2009
	HK$'000	*HK$'000*
Auditors' remuneration	**186**	197
Depreciation of property, plant and equipment	**184**	130
Staff costs, including directors' emoluments and amount classified as research and development expenses *(Note 8)*	**7,356**	7,308
Operating lease rentals for premises and facilities	**1,176**	1,229
Share of associate's taxation	**179**	77

8 STAFF COSTS

	2010	2009
	HK$'000	*HK$'000*
Wages and salaries	**6,938**	7,103
Pension costs – defined contribution schemes	**180**	173
Share-based payments	**238**	32
	7,356	7,308

Notes to the Financial Statements

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

2010 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	121	518	1,925
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	121	518	2,420

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

Notes to the Financial Statements

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2009: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2009: four) employees during the year are as follows:

	2010	2009
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**2,168**	2,157
Contributions to MPF scheme	**48**	46
Share-based payments	**116**	17
	2,332	2,220

The number of the remaining four (2009: four) employees whose emoluments fall within the following band:

	2010	2009
HK$Nil to HK$1,000,000	**4**	4

Notes to the Financial Statements

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 (2009: 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.

	2010	2009
	HK$'000	*HK$'000*
Taxation charge		
Current tax – Overseas taxation	**8**	6

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

	2010	2009
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(671)**	754
Calculated at a taxation rate of 16.5% (2009: 16.5%)	**(111)**	124
Tax effect of income not subject to taxation	**(111)**	(148)
Tax effect of expenses not deductible for taxation purposes	**441**	361
Tax effect of temporary differences for the year unrecognised	**1**	(26)
Tax effect of utilisation of previously unrecognised tax losses	**(320)**	(409)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**108**	104
Taxation charge	**8**	6

Notes to the Financial Statements

11 (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The (loss)/profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of loss of HK$1,851,000 (2009: profit of HK$9,000).

12 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

	2010 ***HK$'000***	2009 *HK$'000*
(Loss)/profit for the year attributable to equity holders of the Company	**(679)**	748
Weighted average number of ordinary shares in issue during the year	**473,411,363**	473,235,473
Basic (loss)/earnings per share	**(0.14) cent**	0.16 cent

Notes to the Financial Statements

12 (LOSS)/EARNINGS PER SHARE *(Continued)*

(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 *HK$'000*
Profit for the year attributable to equity holders of the Company	748
Weighted average number of ordinary shares in issue during the year	473,235,473
Weighted average number of ordinary shares issued at no consideration on deemed exercise of all shares options outstanding during the year	2,901,072
	476,136,545
Diluted earnings per share	0.16 cent

No diluted loss per share has been calculated for the year ended 31 March 2010 as the conversion of the Company's outstanding share options could result in a decrease in the loss per share.

Notes to the Financial Statements

13 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Computer hardware and software	Leasehold improvements, furniture and fixtures	Office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 April 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
Additions	154	–	–	154
Currency realignment	53	–	–	53
At 31 March 2010	5,498	257	141	5,896
Accumulated depreciation				
At 1 April 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
Depreciation provided for the year	169	15	–	184
Currency realignment	53	–	–	53
At 31 March 2010	5,224	230	141	5,595
Net book value				
At 31 March 2010	274	27	–	301
At 31 March 2009	289	42	–	331

Notes to the Financial Statements

14 INTERESTS IN SUBSIDIARIES

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

	2010	2009
	HK$'000	*HK$'000*
Unlisted shares, at cost	24,453	24,336
Impairment losses	(24,453)	(24,336)
	–	–
Amounts due from subsidiaries *(Note (i))*	27,978	28,594
Allowance for impairment of doubtful debts	(27,978)	(28,594)
	–	–
	–	–

Details of the subsidiaries at 31 March 2010 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%

Notes to the Financial Statements

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 in Hong Kong	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 in Beijing	RMB100,000	80%
廣州市八達網科技有限公司	PRC	Provision of mobile data solutions and related services in Guangzhou	HK$900,000	100%

Notes to the Financial Statements

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 2010, the amounts due of HK$27,978,000 (2009: HK$28,594,000) 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:

	2010	2009
	HK$'000	*HK$'000*
At beginning of the year	**28,594**	30,699
Unused amounts reversed	**(616)**	(2,105)
At end of the year	**27,978**	28,594

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

Notes to the Financial Statements

15 INTEREST IN AN ASSOCIATE

	2010	2009
	HK$'000	*HK$'000*
Share of net assets, other than goodwill	**2,308**	1,652
Goodwill	**5,513**	5,513
	7,821	7,165
Due from an associate	**910**	959
	8,731	8,124

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

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

Name	**Registered capital**	**Country of incorporation**	**Assets** ***HK$'000***	**Liabilities** ***HK$'000***	**Revenue** ***HK$'000***	**Profit** ***HK$'000***	**% Interest held**
2010							
廣州流之動資訊技術有限公司	RMB1,000,000	PRC	6,765	1,204	13,057	1,515	43.3
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

Notes to the Financial Statements

16 FINANCIAL INSTRUMENTS – BY CATEGORY

(a) GROUP

The Group classified its financial assets/(liabilities) in the following categories:

	Loans and receivables	Financial assets designated as at fair value through profit or loss	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As per consolidated balance sheet				
31 March 2010				
Amount due from an associate	910	–	–	910
Financial assets designated as at fair value through profit or loss	–	8,184	–	8,184
Trade and other receivables	3,157	–	–	3,157
Cash and deposits with banks	10,178	–	–	10,178
Trade and other payables	–	–	(3,935)	(3,935)
Total financial assets/(liabilities)	14,245	8,184	(3,935)	18,494
31 March 2009				
Amount due from an assoicate	959	–	–	959
Trade and other receivables	2,930	–	–	2,930
Cash and deposits with banks	19,781	–	–	19,781
Trade and other payables	–	–	(4,098)	(4,098)
Total financial assets/(liabilities)	23,670	–	(4,098)	19,572

Notes to the Financial Statements

16 FINANCIAL INSTRUMENTS – BY CATEGORY *(Continued)*

(b) COMPANY

The Company classified its financial assets/(liabilities) in the following categories:

	Loans and receivables	Financial assets designated as at fair value through profit or loss	Financial liabilities at amortised cost	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As per Company's balance sheet				
31 March 2010				
Financial assets designated as at fair value through profit or loss	–	8,184	–	8,184
Other receivables	82	–	–	82
Cash and deposits with banks	7,918	–	–	7,918
Other payables	–	–	(463)	(463)
Total financial assets/(liabilities)	8,000	8,184	(463)	15,721
31 March 2009				
Other receivables	32	–	–	32
Cash and deposits with banks	17,679	–	–	17,679
Other payables	–	–	(363)	(363)
Total financial assets/(liabilities)	17,711	–	(363)	17,348

Notes to the Financial Statements

17 TRADE AND OTHER RECEIVABLES

(a) GROUP

	2010 *HK$'000*	2009 *HK$'000*
Trade receivables	**3,073**	2,895
Prepayments, other receivables and deposits	**684**	724
	3,757	3,619

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

	2010 *HK$'000*	2009 *HK$'000*
Less than 30 days	**1,637**	1,259
31 to 60 days	**652**	758
61 to 90 days	**227**	261
Over 90 days	**557**	617
	3,073	2,895

As at 31 March 2010, trade receivables of HK$1,567,000 (2009: HK$1,636,000) 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:

	2010 *HK$'000*	2009 *HK$'000*
Neither past due nor impaired	**1,506**	1,259
Less than 30 days past due	**524**	677
31 to 60 days past due	**293**	209
61 to 90 days past due	**196**	200
Over 90 days past due	**554**	550
	1,567	1,636
	3,073	2,895

Notes to the Financial Statements

17 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) COMPANY

	2010 *HK$'000*	2009 *HK$'000*
Prepayments and other receivables	**244**	180

18 FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	GROUP		**COMPANY**	
	2010 *HK$'000*	2009 *HK$'000*	**2010** *HK$'000*	2009 *HK$'000*
Foreign currency-linked notes	**8,184**	–	**8,184**	–

The Group has acquired certain foreign currency-linked notes for short-term investment purposes, which are issued by a financial institution with high credit rating and with maturity period ranging from 1 to 3 months.

Except for one outstanding contract which is denominated in Pounds Sterling with an original currency amount of GBP83,000, all outstanding contracts were denominated in HK Dollars at the year end (2009: Nil).

These foreign currency-linked notes will be redeemed by cash only and measured at fair value.

Changes in fair value of these foreign currency-linked notes amounting to HK$54,000 were charged to profit or loss during the year (2009: Nil).

Notes to the Financial Statements

19 CASH AND DEPOSITS WITH BANKS

(a) GROUP

	2010 *HK$'000*	2009 *HK$'000*
Cash and deposits with banks in the balance sheet	10,178	19,781
Less: Bank deposits with maturity greater than three months	7,748	–
Cash and cash equivalents in the consolidated statement of cash flows	2,430	19,781

(b) COMPANY

	2010 *HK$'000*	2009 *HK$'000*
Cash and deposits with banks in the balance sheet	7,918	17,679

Included in cash and deposits with banks in the balance sheet, the Group and the Company have fixed deposits denominated in Pounds Sterling of approximately GBP400,000 (2009: Nil) at the year end.

The effective interest rates for the Group's fixed deposits were in the range of 0.35%-0.48% (2009: 0.65%-0.89%) per annum.

Notes to the Financial Statements

20 SHARE CAPITAL

	Ordinary shares of US$0.01 each			
	Number of shares		Nominal value	
	2010	2009	**2010**	2009
			HK$'000	*HK$'000*
Authorised:				
At beginning and end of the year	**2,000,000,000**	2,000,000,000	**156,000**	156,000
Issued and fully paid:				
At beginning of the year	**473,411,363**	472,811,363	**36,977**	36,930
Shares issued upon exercise of share options	**–**	600,000	**–**	47
At end of the year	**473,411,363**	473,411,363	**36,977**	36,977

Note:

On 17 July 2008, 600,000 share options were exercised at an exercise price of HK$0.09 each, resulting in an issue of 600,000 shares for a total consideration (before expenses) of HK$54,000.

21 SHARE OPTIONS

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

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

(i) Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO Share Option Scheme, the Company had granted Pre-IPO share options to two Executive Directors, one business consultant and employees. The options granted under the Pre-IPO Share Option Scheme entitle the holders to subscribe for a total of up to 1,327,500 (2009: 1,367,500) 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 the date the option was granted.

Notes to the Financial Statements

21 SHARE OPTIONS *(Continued)*

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

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 HK$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 22). 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.

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

	Number of options	
	2010	2009
At beginning of the year	**1,367,500**	2,530,000
Exercised	**–**	(600,000)
Lapsed	**(40,000)**	(562,500)
At end of the year	**1,327,500**	1,367,500

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.

Notes to the Financial Statements

21 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.

On 17 February 2010, share options were granted to grantees to subscribe for 5,034,113 shares of the Company at an exercise price of HK$0.134 each. Among the total of 5,034,113 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	
	2010	2009
At beginning of the year	**19,424,452**	9,456,226
Granted during the year *(Note (iv))*	**5,034,113**	9,968,226
At end of the year	**24,458,565**	19,424,452

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.

Notes to the Financial Statements

21 SHARE OPTIONS *(Continued)*

(iv) Fair values on share-based payments

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

	Share options granted on	
	17 February 2010 *(Note (ii))*	13 February 2009 *(Note (ii))*
Share price	HK$0.134	HK$0.101
Exercise price	HK$0.134	HK$0.101
Expected volatility	32.60%	46.30%
Expected option life (in years)	3	3
Risk-free-rate	0.96%	0.85%
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 behavioral considerations.

The Group recognised the staff cost of HK$238,000 for the year ended 31 March 2010 (2009: HK$32,000) in relation to share options granted by the Company on 17 February 2010 and 13 February 2009.

Notes to the Financial Statements

22 RESERVES

(a) GROUP

	Share premium HK$'000 (Note (iii))	Capital reserve HK$'000 (Note (i))	Capital redemption reserve HK$'000	Exchange translation reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 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
Share options forfeited	–	–	–	–	(13)	13	–
Transfer on exercise of share options	11	–	–	–	(11)	–	–
Total comprehensive income for the year	–	–	–	3	–	748	751
Balance at 31 March 2009	35,582	16,375	2,943	543	320	(65,443)	(9,680)
Recognition of share option benefits at fair value	–	–	–	–	238	–	238
Share options forfeited	–	–	–	–	(2)	2	–
Total comprehensive (loss)/income for the year	–	–	–	29	–	(679)	(650)
Balance at 31 March 2010	35,582	16,375	2,943	572	556	(66,120)	(10,092)

Notes to the Financial Statements

22 RESERVES *(Continued)*

(b) COMPANY

	Share premium HK$'000 (Note (iii))	Contributed surplus HK$'000 (Note (ii))	Capital redemption reserve HK$'000	Share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 April 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)	–	–
Total comprehensive income for the year	–	–	–	–	9	9
Balance at 31 March 2009	35,582	16,375	2,943	320	(74,701)	(19,481)
Recognition of share option benefits at fair value	–	–	–	238	–	238
Share options forfeited	–	–	–	(2)	2	–
Total comprehensive loss for the year	–	–	–	–	(1,851)	(1,851)
Balance at 31 March 2010	35,582	16,375	2,943	556	(76,550)	(21,094)

Notes:

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

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

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

Notes to the Financial Statements

23 TRADE AND OTHER PAYABLES

(a) GROUP

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**1,954**	2,272
Accrued expenses	**1,557**	1,759
Other payables	**755**	515
Deposits received	**–**	12
	4,266	4,558

The ageing analysis of trade payables is as follows:

	2010	2009
	HK$'000	*HK$'000*
Less than 30 days	**641**	701
31 to 60 days	**471**	636
61 to 90 days	**220**	228
Over 90 days	**622**	707
	1,954	2,272

In the opinion of 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

	2010	2009
	HK$'000	*HK$'000*
Other payables	**463**	363

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

Notes to the Financial Statements

24 DEFERRED TAXATION

There were no deferred tax assets recognised during the year due to unpredictability of future profit streams of the Group. Deferred tax assets have not been recognised in respect of the following items:

	GROUP	
	2010	2009
	HK$'000	*HK$'000*
Deductible temporary differences	**883**	878
Unused tax losses	**28,273**	30,212
	29,156	31,090

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.

25 COMMITMENTS

(a) At 31 March 2010, the capital commitments outstanding not provided for in the financial statements were as follows:

	2010	2009
	HK$'000	*HK$'000*
Contracted for increase in interest in a subsidiary	**–**	750

The commitment in respect of the increase in interest in a subsidiary was satisfied by payment in cash.

Notes to the Financial Statements

25 COMMITMENTS *(Continued)*

(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 2010, the Group had the total future minimum lease payments under various non-cancellable operating leases falling due as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**607**	897
In the second to fifth years, inclusive	**–**	586
	607	1,483

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.

	2010	2009
	HK$'000	*HK$'000*
Contributions to MPF Scheme	**180**	173

Notes to the Financial Statements

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:

	2010	2009
	HK$'000	*HK$'000*
Associate:		
Balance due to the Group as at the balance sheet date *(Note (i))*	**910**	959
Interest received	**13**	6
Subcontracting charges	**68**	40

Note:

(i) Except for the loan amount of HK$250,000 which is charged at 5% per annum, the remaining 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 closely monitoring the individual exposure as summarised below.

(1) Market risk

(i) Foreign currency 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. In the opinion of the directors, they do not anticipate any significant changes in value of these foreign currencies and hence no sensitivity analysis have been prepared.

Notes to the Financial Statements

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

(a) Financial risk factors *(Continued)*

(1) Market risk (Continued)

(i) Foreign currency risk (Continued)

The Group is also exposed to foreign currency risk arises from foreign currency deposits and financial assets designated as at fair value through profit or loss, which these assets are mainly denominated or linked to Pounds Sterling.

At 31 March 2010, if Hong Kong Dollars had strengthened/weakened by 10% against the Pounds Sterling, with all other variables held constant, loss for the year would have been approximately HK$431,000 less or HK$827,000 more (2009: Nil). Same effect would apply to the Group's equity as at the year end (2009: Nil).

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

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

(ii) Cash flow and fair value interest rate risk

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

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 Group's exposure to interest rate risk arising from such relevant financial instruments is prepared.

Notes to the Financial Statements

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

(a) Financial risk factors *(Continued)*

(1) Market risk (Continued)

(iii) Price risk

Both the Company and the Group are exposed to other price risk in respect of investments in subsidiaries and the associate. The sensitivity analysis to other 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 2010 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 66% (2009: 62%) of the total trade receivables were due from the five largest clients, most 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.

Notes to the Financial Statements

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 long 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*
2010		
Trade payables	1,954	1,954
Accrued expenses	1,557	1,557
Other payables	424	424
	3,935	3,935
2009		
Trade payables	2,272	2,272
Accrued expenses	1,759	1,759
Other payables	67	67
	4,098	4,098

Notes to the Financial Statements

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

(b) 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 2010, the Group's strategy, which was unchanged from 2009, was to maintain or adjust the ratio at the range of 10% to 20%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividend paid to shareholders, issue new shares and return capital to shareholders.

The debt-to-adjusted capital ratios at 31 March 2010 and 2009 were as follows:

	2010	2009
	HK$'000	*HK$'000*
Current liabilities		
Trade and other payables	**4,266**	4,558
Total debts	**4,266**	4,558
Adjusted capital	**26,885**	27,297
Debt-to-adjusted capital ratio	**15.87%**	16.70%

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

Notes to the Financial Statements

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

(c) Fair values

(i) Financial instruments carried at fair value

The following presents the carrying value of the financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instruments categorised in its entirely based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

– Level 2: fair values measured using quoted prices in active market for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable data.

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based observable market data.

The fair value of the Group's financial assets designated as at fair value through profit or loss, with carrying value of approximately HK$8,184,000 as set out in note 18, is based on Level 2 measurement.

Estimated discounted cash flows at the current market interest rate are normally used to determine the fair value for other financial instruments (i.e. Level 3 – lowest level).

(ii) Fair values of other financial instruments carried at other than fair value

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.

Notes to the Financial Statements

29 NON-ADJUSTING POST BALANCE SHEET EVENT

Pursuant to the Sales & Purchase Agreement dated 22 April 2010 entered into among China Oil Resources Group Limited (the "Offeror"), a wholly owned subsidiary of PetroAsian Energy Holdings Limited (a listed company in the Stock Exchange of Hong Kong), Silicon Asia Limited (the "Vendor") and Dr. Chan Chung, the Vendor agreed to sell and the Offeror agreed to acquire 177,785,861 shares of the Company at a consideration of HK$35,557,172.2 (equivalent to HK$0.2 per Share), representing approximately 37.55% of the then entire issued share capital of the Company. Immediately following the completion of the sale and purchase of these 177,785,861 shares of the Company, the Offeror was required to make the mandatory conditional cash offer for all the issued shares of the Company held by other shareholders at a price of HK$0.2 per Share in cash and a comparable cash offer for cancellation of all then outstanding share options in accordance with the Hong Kong Code on Takeovers and Mergers. Further details are set out in the composite offer and response document dated 3 June 2010 jointly published by the Company, the Offeror and PetroAsian Energy Holdings Limited.

30 COMPARATIVE FIGURES

As a result of the application of HKAS 1 (Revised 2007), Presentation of Financial Statements, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in note 3.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2010

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2010 and which have not been early adopted in these consolidated financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

Notes to the Financial Statements

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2010 *(Continued)*

In addition, the following developments may result in new or amended disclosures in the consolidated financial statements:

	Effective for accounting periods beginning on or after
HKFRS 2 (Amendment), Group cash settled Share-based Payment Transactions	1 January 2010
HKFRS 3 (Revised), Business Combinations	1 July 2009
HKFRS 9, Financial Instruments	1 January 2013
HKAS 24 (Revised), Related Party Disclosures	1 January 2011
HKAS 27 (Revised), Consolidated and Separate Financial Statements	1 July 2009
HKAS 32 (Amendment), Classification of Right Issues	1 February 2010
HKAS 39 (Amendment), Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1 July 2009
HK(IFRIC) – Int 14 (Amendment), Prepayments of a Minimum Funding Requirement	1 January 2011
HK(IFRIC) – Int 17, Distributions of Non-Cash Assets to Owners	1 July 2009
HK(IFRIC) – Int 19, Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
Improvements to HKFRSs 2009	1 January 2010 (unless otherwise specified)

Five Fiscal Years Financial Summary

RESULTS

	2010 *HK$'000*	2009 *HK$'000*	2008 *HK$'000*	2007 *HK$'000*	2006 *HK$'000*
Turnover	**18,134**	20,321	19,742	21,717	20,982
(Loss)/profit attributable to equity holders of the Company	**(679)**	748	382	7,849	(1,322)

ASSETS AND LIABILITIES

	2010 *HK$'000*	2009 *HK$'000*	2008 *HK$'000*	2007 *HK$'000*	2006 *HK$'000*
Total assets	**31,151**	31,855	30,614	29,211	26,038
Total liabilities and minority interests	**(4,266)**	(4,558)	(4,154)	(3,440)	(8,089)
Total equity	**26,885**	27,297	26,460	25,771	17,949