Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8266

Annual Report

2011

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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.

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Corporate Information

EXECUTIVE DIRECTORS

Dr. Chan Chung *(Chairman)*
Mr. Chan Wai Kwong, Peter
Mr. Siu King Nin, Peter
Mr. Choi Ho Yan
Mr. So Haw, Herman

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chiu Wai Piu
Mr. Cheung Kwan Hung, Anthony
Mr. Heung Chee Hang, Eric

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPLIANCE OFFICER

Mr. Chan Wai Kwong, Peter

AUDIT COMMITTEE

Mr. Chiu Wai Piu
Mr. Cheung Kwan Hung, Anthony
Mr. Heung Chee Hang, Eric

AUTHORISED REPRESENTATIVES

Dr. Chan Chung
Mr. Chan Wai Kwong, Peter

COMPANY SECRETARY

Mr. Li Siu Bun, *CPA*

AUDITORS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
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WEBSITE

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STOCK CODE

8266

Chairman's Statement

OPERATING RESULTS

Mobile Telecom Network (Holdings) Limited and its subsidiaries (the "Group") recorded an audited loss of approximately HK$5.16 million for the financial year ended 31 March 2011. The Group has a turnover of approximately HK$24.43 million for the year compared to that of approximately HK$18.13 million last year. The increase in the revenue was mainly attributable to out diversification into the apps development business. However, app development is labour intensive, thus, the Group recorded a bigger loss as compared to HK$0.68 million for the last year as a result of higher employment and running costs and the costs of a general offer.

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 significant 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.

We have also deployed the sports services into Indonesia, Taiwan, Singapore, Sri Lanka, and etc. in order to fully utilise 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.

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.

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.

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 will also be extended to the Facebook market. 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.

Chairman's Statement

The mobile entertainment segment is increasingly internet bounded. The Group's Mobilesurf service platform for full entertainment service provisioning is relevant to this trend. Instead of a typical operator wall garden approach to content delivery, the launching of the iPhone brings internet content such as YouTube & Google map mobile sites in a fashion that is similar to our Mobilesurf service platform. We plan to further expand our Mobilesurf platform to deliver content via the internet and to look for iPhone, Widget type of client application opportunities in China.

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, personalised and located to the market.

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.

In order to enhance our revenue stream, the Group has been identifying further investment opportunities in order to diversify its existing business and maximise the return of the shareholders. The Group has recently completed an acquisition of certain property development projects in the Peoples' Republic of China (the "PRC"). The acquisition represents a good opportunity for the Group to tap into the growing PRC property development industry and also allows it to diversify its existing businesses.

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, 28 June 2011

Management Discussion and Analysis

BUSINESS REVIEW

Financial Performance

Mobile Telecom Network (Holdings) Limited and its subsidiaries (the "Group") recorded an audited loss of approximately HK$5.16 million for the financial year ended 31 March 2011. The Group has a turnover of approximately HK$24.43 million for the year compared to that of HK$18.13 million last year. The increase in the revenue was mainly attributable to our diversification into the apps development business. However, apps development is labour intensive; thus, the Group recorded a bigger loss as compared to HK$0.68 million for the last year as a result of higher employment and running costs and the costs of a general offer. Notwithstanding, the Group has managed to improve its gross profit margin at 57.1%, compared to 46.2% 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 91.3% (2010: 94.0%) of the Group's turnover, while the People's Republic of China, Singapore, Taiwan and Australia generated approximately 3.1%, 2.6%, 0.5% and 0.4% respectively (2010: 0.0%, 2.5%, 1.5% and 1.0% respectively).

Products and Services

Due to the market permeation by the iPhone and other smartphones, the Group has been refining current mobile value added services ("MVAS") to emphasise on application developments and mobile advertising. The Group is also exploring new business to complement the mobile business.

To diversify our business focus, the Group formed several new companies during the year to expand into other areas of opportunities. One related area is a new company focusing in Facebook games and application developments. Another company is being formed to explore real estate opportunities in Mainland China. We believe the Group will be benefited from the enhancement and diversification of business focuses from these new companies.

The Group has been selected by China Telecom GD China to offer new sport and game VAS services in Guangdong province of the PRC. For the mobile application business in the PRC, the Group is in partnership with GZ Daily（廣州日報）, one of the most popular local newspapers in the Guangdong province and offers a full extension to iPhone users. This iPhone application brings the latest & top breaking news on politics, current affairs, finance, entertainment, and sports information in the PRC.

Management Discussion and Analysis

The Group had also developed multiple services for the World Cup event and were deployed in 9 major mobile operators including 3 Hong Kong, PCCW Mobile Hong Kong, China Mobile Hong Kong, CTM Macau, 3 Macau, SingTel Singapore, Vietnamobile Vietnam, Dialog Sri Lanka and Taiwan mobile Taiwan.

All our sports services, delivered into Indonesia, Taiwan, Singapore, Sri Lanka, etc., fully utilise 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.

We are participating in the operating of all the movie channels with all 6 mobile operators in Hong Kong, the Group has partnered with Nokia Hong Kong, Samsung Hong Kong, Microsoft Hong Kong to extend our Movie VAS services into mobile applications with their respective handset platform. The movie mobile application is very popular among smart phone users and connects the major cinema lines with their mobile ticketing services.

In the mobile application business, the Group has been appointed by consumer brands, device manufacturers, and mobile operators to design and create mobile applications on popular mobile platforms including iPhone, Android, Nokia, Microsoft, Blackberry, and Samsung Bada. Leveraging the Group's 10 years of mobile application development experience, we are vowed to deliver both a great experience for users and profit for partners. One of our highlights in mobile application is with one of our consumer clients – Citibank Hong Kong, whom launched its mobile application, in June 2010, and has successfully deployed on 5 major handset platforms including Apple App Store, Nokia Ovi Store, Microsoft Marketplace, Android Market, and Samsung App store. This mobile application not only allows the users to discover the hottest offers instantly based on where the application user is, but also receives the latest promotional and reward information. In the 1st quarter of our mobile application business, the Group has already deployed more than 10 different mobile applications for our clients, such as GZ Daily, Altira Macau, Metro Radio, Yahoo Hong Kong, GME Group, Hutchison 3HK, PCCW Mobile, etc.

In the other markets, the Group has also been able to offer a full range of multi-media services and business know-how to mobile operators throughout Southeast Asia. With 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.

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 Group has formed a partnership with an advertising media company – Buspak to co-develop the new media campaign into the Webus platform with 100 WiFi buses in Hong Kong and also in recent mobile campaigns including VISA, Kit Kat, CNY etc.

Management Discussion and Analysis

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 and 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 has also partnered with Hutchison 3HK to launch four key value added services on 3G iPhone (sold by Hutchison 3HK) which has been tied into the handset launching since 11 July 2008. On the other hand, the Group was also involved to develop a wide range of widget applications with different handset manufacturers.

In addition, the Group has licensed our content management and delivery system to Hong Kong Jockey Club, of which we also provide, facilitate and manage workflow needed to collaboratively publish various kinds of digital media and content feed, and dispatch into various types of media channel and/or to external parties.

Apart from diversifying for our value-added services, the Group is now deploying more resources into mobile application development. In order to strengthen the Group's ability to handle new business opportunities, the Group has employed more professional staffs to provide intensive and creative developments to our clients during the year.

Sales and Marketing Activities

The mobile industry is in a transition from simple short message and entertainment to sophisticated 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 smartphones allow much better user experience and thus more options for advertisers to carry out targeted promotions. In addition, the Group has formed several alliances with strategic media partners to leverage its expertise to explore into enhancing our media revenue.

The Group is also focusing on 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 different countries with high pace and healthy margins.

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 the Asia Pacific and will be expanding operations through partnership and/or acquisition in those countries.

Management Discussion and Analysis

PROSPECT

Since Hong Kong is 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 maximise the revenue and minimise the resources allocation. In addition, the Group will also share its experience and strategy of our successful services with operators in new markets in order to achieve 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 terms 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.

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 with increased 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 the aim of launching 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 by another new revenue stream both on the recurrent and project based businesses.

Management Discussion and Analysis

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 sports channel shall be one of our key value added services in the mobile market and the Group is partnering with various media agencies to explore the mobile advertising into our Sports Channel. Other content services, such as Entertainment, Lifestyle & Leisure, Dining, Movie, Cartoon, Games, Fortune Telling, etc. will be made 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 the longest track record to provide 3G related services to operators in Hong Kong and it is also expected such services 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 behaviours on the mobile phone. In support of that, the Group has recently signed up with more content partners including established brands and leading gaming companies.

For the Games 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.

Youth targeted lifestyle applications & services such as dating services, mobile blogging, and mobile comics are also gaining popularity in Hong Kong. Mobile 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 in terms of population, the Group is expected to achieve a high growth in the medium term. Two main growth drivers would be the 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 success. 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.

Management Discussion and Analysis

The Group believes that 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 mobilise their contents and brands from more traditional media platforms. The Group is cooperating with handset manufacturers for efficient service provisioning. The efforts include pre-loading our applications on certain handsets, of which provide the uses with quick, optimised and easy access to internet contents and services. These devices will be made 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 our 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.

DEVELOPMENTS SINCE THE FINANCIAL YEAR-END

On 15 February 2011, Gold Continental Investment Limited ("Gold Continental"), a wholly owned subsidiary of the Company, Poon Sum and Poon Sau Tin, each being a connected person (hereinafter referred as the "Vendors"), entered into an agreement pursuant to which Gold Continental has agreed to purchase and the Vendors has agreed to sell the entire issued share of Best Team International Investment Limited ("Best Team") ("Sales Share"), for a total consideration of HK$65,000,000. Best Team is principally engaged in investment holding. Upon completion of the reorganisation, the subsidiary of Best Team shall hold equity interests in the two PRC property development project companies.

Gold Continental paid HK$9,500,000 to the Vendors in cash as the deposit and part payment of the consideration on the date of the agreement and shall pay another HK$20,500,000 to Vendors in cash at the date of completion of the Sales Share. The remaining of HK$35,000,000 is to be settled by issuance of HK$33,000,000 convertible bonds (the "Convertible Bonds") and HK$2,000,000 (the "Warrants").

The acquisition is completed on 3 June 2011. As at the date of this report, the Company has not received any notice of the exercise of the conversion rights attached to the Convertible Bonds or subscription rights attached to the Warrants and no shares were issued pursuant to the conversion of the Convertible Bonds and Warrants.

Management Discussion and Analysis

On 4 April 2011, the Company proposed to raise not less than approximately HK$58.86 million before expenses, by way of an open offer of not less than 588,567,428 new shares and not more than 592,147,428 new shares at the subscription price of HK$0.1 per new share on the basis of one offer share for every share held on the record date and payable in full on acceptance (the "Open Offer"). Qualifying shareholders are not entitled to apply for excess offer shares not taken up in excess of their respective entitlements under the Open Offer; whereas the Open Offer will not be extended to the prohibited shareholders.

Pursuant to the prospectus issued by the Company dated 25 May 2011, the Board intends to apply such proceeds from the Open Offer for existing and potential mobile telecommunications related businesses, if appropriate, the property development projects in China after acquiring Best Team and payment of the cash consideration for the proposed acquisition of 70% equity interests in 央廣迅龍（北京）通訊科技有限公司 (Yangguang Xunlong (Beijing) Communication Technology Company Limited) under the non-legally binding memorandum of understanding dated 28 February 2011 entered into between a wholly owned subsidiary of the Company and an independent third party. The Group will apply the remaining proceeds for general working capital.

On 14 June 2011, the Open Offer has become unconditional; and the share certificates for the new shares were allotted and despatched on 20 June 2011. On 20 June 2011 and as at the date of this report, the Company had 1,177,134,856 shares in issue.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a stable financial position. As at 31 March 2011, the Group had net current assets of approximately HK$22,740,000 (2010: HK$17,853,000), of which approximately HK$24,883,000 (2010: HK$10,178,000) were bank balances and cash. The Group's other current assets recorded at 31 March 2011 mainly comprised approximately HK$4,438,000 (2010: HK$11,941,000) in trade receivables, other receivables, deposits and prepayments, and financial assets designated as at fair value through profit or loss, which decreased by 62.8% when compared with previous financial year. Current liabilities of the Group increased by 54.3% amounting to HK$6,581,000 (2010: HK$4,266,000). The Group did not have any long-term liabilities as at 31 March 2011.

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 2011 (2010: 0.16).

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURE

The income and expenditure of the Group are mainly denominated in Hong Kong Dollars and Renminbi, 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 29 to the financial statements.

CAPITAL STRUCTURE

Pursuant to the placing agreement dated 4 November 2010, 90,000,000 new shares of US$0.01 each were issued and allotted to Ever Champion Trading Limited in November 2010 at a price of HK$0.2 per share. Details of which are set out in the Company's announcement dated 4 November 2010.

25,156,065 new shares of US$0.01 each were issued and allotted during the year upon exercise of share options granted by the Company.

Save as the above, there was no change in the capital structure of the Company during the year ended as at 31 March 2011.

MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisitions or disposals of subsidiaries during the year ended 31 March 2011.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2011, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at 31 March 2011, the Group did not have any contingent liabilities.

EMPLOYEE INFORMATION

As at 31 March 2011, the Group had a total of 60 employees in Hong Kong. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors' emoluments, amounted to approximately HK$13,995,000 for the year ended 31 March 2011 (2010: HK$7,356,000). 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 54, 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 57, 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 Century Ginwa Retail Holdings Limited (formerly known as China Golden Development Holdings Limited) (Stock code: 162) and Tai Shing International (Holdings) Limited (Stock code: 8103), whose shares are listed on the Stock Exchange and GEM respectively. 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 70, 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.

Mr. Choi Ho Yan, aged 35, has newly been appointed as an Executive director of the Group on 30 July 2010. Mr. Choi graduated from the University of Hertfordshire, United Kingdom with a Bachelor of Accounting degree. He has become a member of the America Institute of Certified Public Accountants since 2002. Mr. Choi has over 11 years of experience in auditing, accounting, corporate finance and investor relations experience gained from his previous employment. Mr. Choi was an accountant at Ernst and Young from 1998 – 2004, moving from the positions of staff accountant to senior accountant, and overseeing audit work for projects related to initial public offerings of several companies, as well as other related work for listed companies. During his time as a chief financial officer for China Milk Products Group Limited, a company listed on the stock exchange of the Singapore Exchange Limited, from September 2004 – January 2010, he oversaw the investor relations programme as well as the accounting and financial functions of the company.

Biographical Details of Directors and Senior Management

Mr. So Haw, Herman, aged 29, has newly been appointed as an Executive Director of the Group on 7 June 2011. Mr. So attained his Bachelor of Mechanical Engineering (with honours and IMechE accreditation) in University of London, United Kingdom and Master of Oceanography (with IMarEST accreditation) in University of Southampton, United Kingdom in 2004 and 2005, respectively. Since his graduation, he has worked in Geotek Ltd. as a geophysicist/engineer for around 11 months and later pursued his career in the banking business. He has worked in China Construction Bank (Asia) Corp. Ltd., Hong Kong for more than 3.5 years. During that period, he has served a host of multi-national clients, including but not limited to corporate financing, and banking services. Prior to joining the Company, he worked as an executive director and vice general manager in a private business group, overseeing real estate development projects, commercial and residential re-design projects, and merger and acquisition projects of that private business group.

Independent Non-executive Directors

Mr. Chiu Wai Piu, aged 64, has newly been appointed as an Independent Non-executive Directors on 30 July 2010. Mr. Chiu is a very experienced and reputable journalist and has over 41 years of experience in journalism. He has been a reporter, an editor, a main news assignment editor, a local news assignment editor, a managing editor and an editorial writer in newspapers and a senior research officer in "One Country Two Systems Research Institute". Mr. Chiu has been the founding treasurer and the chairman of the "Hong Kong Federation of Journalists". In 2006, he was elected as the Vice Secretary – General and Treasurer of the "Hong Kong Federation of Journalists"; and he was also elected as the Director-General in 2009. Mr. Chiu has, for many years, devoted himself wholeheartedly in boosting cooperation among local journalists, enhancing professional conduct of journalists and developing the relationship and advocating the interchange of knowledge between journalists in Hong Kong and Mainland China. His contribution in this field is highly praised and recognized. Mr. Chiu currently serves as an independent non-executive Director of Jiwa Bio-Pharm Holdings Limited and Lo's Enviro-Pro Holdings Limited.

Mr. Cheung Kwan Hung, Anthony, aged 59, has newly been appointed as an Independent Non-executive director on 18 August 2010. Mr. Cheung is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Cheung is very experienced in accounting, finance and investment banking profession specialising in equity/debt fund raising, mergers and acquisitions and corporate restructuring before working with publicly listed companies undertaking corporate management, planning and strategies development functions. He is an independent non-executive director of NewOcean Energy Holdings Limited (Stock code: 342), PetroAsian Energy Holdings Limited (Stock code: 850) and Great Harvest Maeta Group Holdings Limited (Stock code: 3683), whose shares are listed on the Stock Exchange. He was an independent non-executive director of Diagonite International Limited (formerly known as "Ruyan Group (Holdings) Limited") (Stock code: 329) and V.S. International Group Limited (Stock code: 1002), whose shares are listed on the Stock Exchange, from 20 September 2004 to 28 June 2010 and 8 February 2002 to 28 January 2011 respectively.

Biographical Details of Directors and Senior Management

Mr. Heung Chee Hang, Eric, aged 43, has newly been appointed as an Independent Non-executive Director on 18 August 2010. Mr. Heung is a practicing solicitor in Hong Kong with current practice in general litigation and commercial matters. He graduated with a degree of Laws from the University of Leicester, England. Mr. Heung was admitted as a solicitor of the Supreme Court of Hong Kong in 1995. He is currently a partner of Tung, Ng, Tse & Heung, Solicitors.

SENIOR MANAGEMENT

Mr. Li Siu Bun, is the Company Secretary of the Group. Mr. Li is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Li graduated with a bachelor degree in business administration from Lingnan University and has over 4 years of experience in the accounting and auditing fields.

Mr. Wong Ming Wai, aged 35, 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 13 years of 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 34, is the Vice President of I.T. and Operations 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 51, 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 28, 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 8 years of 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 2011.

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

The results of the Group for the year ended 31 March 2011 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 105.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in note 23 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 21 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 consolidated results and of the assets and liabilities of the Group for the five financial years ended to 31 March 2011 is set out on page 106.

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 2011 are set out below:

		Number of Share Options								
Name	Date of grant	Outstanding as at 1 April 2010	Granted during the year under review	Exercised during the year under review	Lapsed during the year under review	Outstanding as at 31 March 2011	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) *(Note 4)*	–	–	–	9 May 2003 – 8 May 2013	1.00	0.103
Mr. Chan Wai Kwong, Peter	27 March 2003	100,000	–	(100,000) *(Note 3)*	–	–	–	9 May 2003 – 8 May 2013	1.00	0.103
Other Participants										
Employees in aggregate *(Note 1)*	27 March 2003	492,500	–	(492,500) *(Note 2)*	–	–	–	9 May 2003 – 8 May 2013	1.00	0.103
	9 February 2007	115,000	–	(105,000) *(Note 2)*	–	10,000	0.002%	9 February 2007 – 8 February 2017	1.00	0.090
	12 February 2008	20,000	–	–	–	20,000	0.003%	12 February 2008 – 11 February 2018	1.00	0.191
Business Consultant										
Young Antony, Michael	27 March 2003	300,000	–	–	–	300,000	0.051%	9 May 2003 – 8 May 2013	1.00	0.114
		1,327,500	–	(997,500)	–	330,000	0.056%			

Notes:

1. 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).
2. The closing price of the shares immediately before the date on which the options were exercised was HK$0.315.
3. The closing price of the shares immediately before the date on which the options were exercised was HK$0.204.
4. The closing price of the shares immediately before the date on which the options were exercised was HK$0.226.

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 2010	Granted during the year under review	Exercised during the year under review	Lapsed during the year under review	Outstanding as at 31 March 2011	Approximate percentage of issued share capital	Option period	Consi-deration 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) *(Note 3)*	–	–	–	18 September 2006 – 17 September 2016	1.00	0.078
	12 February 2008	4,728,113	–	(4,728,113) *(Note 3)*	–	–	–	12 February 2008 – 11 February 2018	1.00	0.191
	13 February 2009	4,734,113	–	(4,734,113) *(Note 3)*	–	–	–	13 February 2009 – 12 February 2019	1.00	0.101
	17 February 2010	4,734,113	–	(4,734,113) *(Note 3)*	–	–	–	17 February 2010 – 16 February 2020	1.00	0.134
Other Participants										
Employees in aggregate *(Note 1)*	13 February 2009	5,234,113	–	(5,234,113) *(Note 2)*	–	–	–	13 February 2009 – 12 February 2019	1.00	0.101
	17 February 2010	300,000	–	–	(50,000)	250,000	0.042%	17 February 2010 – 16 February 2020	1.00	0.134
		24,458,565	–	(24,158,565)	(50,000)	250,000	0.042%			

Notes:

1. 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).

2. The weighted average closing price of the shares immediately before the date on which the options were exercised was HK$0.304.

3. The closing price of the shares immediately before the date on which the options were exercised was HK$0.226.

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 IPO 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)
Mr. Choi Ho Yan (appointed on 30 July 2010)
Mr. So Haw, Herman (appointed on 7 June 2011)

Independent Non-executive Directors
Mr. Chiu Wai Piu (appointed on 30 July 2010)
Mr. Cheung Kwan Hung, Anthony (appointed on 18 August 2010)
Mr. Heung Chee Hang, Eric (appointed on 18 August 2010)
Mr. Jeffery Matthew Bistrong (resigned on 30 July 2010)
Mr. Chu Chin Tai, Eric (resigned on 18 August 2010)
Mr. Chen Kwok Wang, Kester (resigned on 18 August 2010)

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Choi Ho Yan, Mr. So Haw, Herman, Mr. Chiu Wai Piu, Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric will hold office only until the forthcoming annual general meeting of the Company and, being eligible, offers themselves for re-election.

In accordance with Article 87 of the Company's Articles of Association, Mr. Siu King Nin, Peter will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

Report of the Directors

DIRECTORS *(Continued)*

Emoluments of the Directors and the five highest paid individuals

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 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 have each 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 Directors, Mr. Siu King Nin, Peter, Mr. Choi Ho Yan and Mr. So Haw, Herman have, respectively, entered into a service agreement with the Company for an initial term of three years commencing from 10 June 2010, 30 July 2010 and 7 June 2011.

Each of the Independent Non-executive Directors, Mr. Chiu Wai Piu, Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric has entered into a service agreement with the Company for an initial term of two years commencing from 30 July 2010, 18 August 2010 and 18 August 2010, respectively.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on page 14 to 16.

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 2011, 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	Beneficial owner	19,224,452	3.27%
Mr. Chan Wai Kwong, Peter	Beneficial owner	108,036	0.02%
		19,332,488	3.29%

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

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 2011, 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
China Oil Resources Group Limited	Beneficial owner	177,785,861	30.21%
PetroAsian Energy Holdings Limited ("PetroAsian Energy")	*(Note 1)*	177,785,861	30.21%
Ever Champion Trading Limited	Beneficial owner	48,776,000	8.29%
Vodatel Information Limited	Beneficial owner	77,709,696	13.20%
Vodatel Networks Holdings Limited ("Vodatel")	*(Note 2)*	77,709,696	13.20%
			51.70%

Notes:

1. PetroAsian Energy is deemed, by virtue of the SFO, to be interested in the 177,785,861 shares held by China Oil Resources Group Limited as China Oil Resources Group Limited is a direct and wholly owned subsidiary of PetroAsian Energy. PetroAsian Energy is a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange (Stock code: 850). 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 PetroAsian Energy or in accordance with whose directions or instructions PetroAsian Energy or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which PetroAsian Energy is interested under the SFO will be deemed to be interested in the 177,785,861 shares which PetroAsian is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in PetroAsian Energy can be found in the information published by PetroAsian Energy from time to time and from the website of the Stock Exchange at www.hkex.com.hk. According to the latest interim report of PetroAsian Energy, as at 30 September 2010, no person was interested or deemed to be interested in more than one-third of the then issued share capital of PetroAsian Energy.

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 77,709,696 shares held by Vodatel Information Limited as Vodatel Information Limited is a direct and wholly owned subsidiary of VDT Mobile Holdings Limited which is a direct and wholly owned subsidiary of Vodatel Holdings Limited, a direct and 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 77,709,696 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 2010, Mr. Jose Manuel Dos Santos, Miss Lei Hon Kin, Eve Resources Limited, Ocean Hope Holdings Limited and HSBC International Trustee Limited were interested or deemed to be interested in more than one-third of the then issued share capital of Vodatel.

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 2011.

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	27.8%
– five largest suppliers combined	51.1%
Sales	
– the largest customer	30.0%
– five largest customers combined	59.3%

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

Report of the Directors

CONNECTED TRANSACTIONS

During the year ended 31 March 2011, there were no transactions to be disclosed as connected transactions and certain related party transactions as disclosed in note 28 to the financial statements also did not constitute connected transactions in accordance with the requirements of Chapter 20 of the GEM Listing Rules.

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 28 June 2011.

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. Chiu Wai Piu, Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric. 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 2011 have been reviewed by the audit committee of the Company.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

Report of the Directors

AUDITORS

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

On behalf of the Board

Chan Chung
Chairman
Hong Kong, 28 June 2011

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 2011. The following summarises 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 2011.

BOARD OF DIRECTORS AND BOARD MEETING

The board of Directors (the "Board") of the Company comprises eight directors, including the Chairman who is an Executive Director, additional four Executive Directors and three Independent Non-executive Directors. One of the 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 16 of the Annual Report.

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group. Key and important decisions shall be fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the notice of board meeting. Matters requiring the Board's approval include review of overall policies, corporate plan of the Company, investment plans which would involve significant risks for the Company, major organisation 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 Director 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 five 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 needs not be subjected to retirement by rotation.

Four meetings were held during the year ended 31 March 2011. The attendance record of each Director, except for Mr. So Haw, Herman (appointed on 7 June 2011), is as follows:

Executive Directors

Dr. Chan Chung *(Chairman)*	4/4
Mr. Chan Wai Kwong, Peter	4/4
Mr. Siu King Nin, Peter (appointed on 10 June 2010)	4/4
Mr. Choi Ho Yan (appointed on 30 July 2010) *(Note 1)*	3/3

Independent Non-executive Directors

Mr. Jeffery Matthew Bistrong (resigned on 30 July 2010) *(Note 2)*	1/1
Mr. Chu Chin Tai, Eric (resigned on 18 August 2010) *(Note 3)*	2/2
Mr. Chen Kwok Wang, Kester (resigned on 18 August 2010) *(Note 3)*	2/2
Mr. Chiu Wai Piu (appointed on 30 July 2010) *(Note 4)*	3/3
Mr. Cheung Kwan Hung, Anthony (appointed on 18 August 2010) *(Note 5)*	2/2
Mr. Heung Chee Hang, Eric (appointed on 18 August 2010) *(Note 5)*	2/2

Corporate Governance Report

Note:

1. Mr. Choi Ho Yan was appointed as an Executive Director on 30 July 2010 and there were totally three board meetings held for the period from 30 July 2010 to 31 March 2011.

2. Mr. Jeffrey Natthew Bistrong resigned as an Independent Non-executive Director since 30 July 2010 and there was one board meeting held for the period from 1 April 2010 to 30 July 2010.

3. Mr. Chu Chin Tai, Eric and Chen Kwok Wang, Kester resigned as an Independent Non-executive Director since 18 August 2010 and there was two board meetings held for the period from 1 April 2010 to 18 August 2010.

4. Mr. Chiu Wai Piu was appointed as an Independent Non-executive Director on 30 July 2010 and there were totally three board meetings held for the period from 30 July 2010 to 31 March 2011.

5. Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric were appointed as an Independent Non-executive Director on 18 August 2010 and there were totally two board meetings held for the period from 18 August 2010 to 31 March 2011.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman is responsible for management of the Board and strategic planning of the Group, 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.

Corporate Governance Report

ACCOUNTABILITY AND AUDIT

The Board acknowledged its 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

During the year the remuneration paid to the Company's external auditor, Ting Ho Kwan & Chan, Certified Public Accountants (Practising), for statutory audit and other services were approximately HK$200,000 and HK$40,000 respectively. The non-statutory audit services mainly consists of forecast and indebtedness review.

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. Chiu Wai Piu, Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric. 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 (resigned on 30 July 2010)	1/1
Mr. Chu Chin Tai, Eric (resigned on 18 August 2010)	2/2
Mr. Chen Kwok Wang, Kester (resigned on 18 August 2010)	2/2
Mr. Chiu Wai Piu (appointed on 30 July 2010)	3/3
Mr. Cheung Kwan Hung, Anthony (appointed on 18 August 2010)	2/2
Mr. Heung Chee Hang, Eric (appointed on 18 August 2010)	2/2

Corporate Governance Report

NOMINATION OF THE DIRECTOR

No Nomination Committee has been set up, and hence, the Board is responsible for considering the suitability of a candidate to act as Director, and approving and termination the appointment of a Director. The Board 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.

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 unauthorised 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

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") set out on pages 37 to 105, which comprise the consolidated and Company balance sheets as at 31 March 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 judgement, 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 of consolidated financial statements that give a true and fair view 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 2011 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, 28 June 2011

Consolidated Income Statement

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	6	**24,425**	18,134
Other income and gains, net	6	**713**	478
Telecom operators and content providers costs		**(10,483)**	(9,756)
Employment costs		**(11,190)**	(5,841)
Research and development expenses		**(2,806)**	(1,515)
Depreciation of property, plant and equipment		**(271)**	(184)
Other operating expenses		**(6,048)**	(2,643)
Operating loss	7	**(5,660)**	(1,327)
Share of profit of an associate		**570**	656
Loss before taxation		**(5,090)**	(671)
Taxation	10	**(69)**	(8)
Loss for the year		**(5,159)**	(679)
Attributable to:			
Equity holders of the Company	11	**(5,193)**	(679)
Non-controlling interests		**34**	–
		(5,159)	(679)
Loss per share for loss attributable to the equity holders of the Company during the year			
– basic	12(a)	**(1.02) cent**	(0.14) cent
– diluted	12(b)	**N/A**	N/A

The notes on pages 44 to 105 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	2011 *HK$'000*	2010 *HK$'000*
Loss for the year	**(5,159)**	(679)
Other comprehensive income for the year:		
Exchange differences arising on translation of financial statements of foreign operations	**9**	29
Total comprehensive expense for the year	**(5,150)**	(650)
Attributable to:		
Equity holders of the Company	**(5,184)**	(650)
Non-controlling interests	**34**	–
Total comprehensive expense for the year	**(5,150)**	(650)

The notes on pages 44 to 105 are an integral part of these financial statements.

Consolidated Balance Sheet

At 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	755	301
Interest in an associate	15	9,359	8,731
Investment deposit	16	9,500	–
		19,614	9,032
Current assets			
Trade and other receivables	18	4,438	3,757
Financial assets designated as at fair value through profit or loss	19	–	8,184
Cash and deposits with banks	20	24,883	10,178
		29,321	22,119
Total assets		48,935	31,151
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	21	45,959	36,977
Reserves	23	(3,643)	(10,092)
		42,316	26,885
Non-controlling interests		38	–
Total equity		42,354	26,885
LIABILITIES			
Current liabilities			
Trade and other payables	24	6,568	4,266
Current tax payable		13	–
Total liabilities		6,581	4,266
Total equity and liabilities		48,935	31,151
Net current assets		22,740	17,853
Total assets less current liabilities		42,354	26,885

The financial statements were approved and authorised for issue by the Board of Directors on 28 June 2011.

Chan Chung
Chairman

Siu King Nin, Peter
Director

The notes on pages 44 to 105 are an integral part of these financial statements.

Balance Sheet

At 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	14	12,431	–
Current assets			
Prepayments and other receivables	18	166	244
Financial assets designated as at fair value through profit or loss	19	–	8,184
Cash and deposits with banks	20	20,563	7,918
		20,729	16,346
Total assets		33,160	16,346
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	21	45,959	36,977
Reserves	23	(12,996)	(21,094)
Total equity		32,963	15,883
LIABILITIES			
Current liabilities			
Other payables	24	197	463
Total liabilities		197	463
Total equity and liabilities		33,160	16,346

The financial statements were approved and authorised for issue by the Board of Directors on 28 June 2011.

Chan Chung
Chairman

Siu King Nin, Peter
Director

The notes on pages 44 to 105 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to equity holders of the Company						
	Share capital	Share premium	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 April 2009	36,977	35,582	20,181	(65,443)	27,297	–	27,297
Recognition of share option benefits at fair value	–	–	238	–	238	–	238
Share options forfeited	–	–	(2)	2	–	–	–
Total comprehensive (expense)/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
Shares issued upon exercise of share options	1,962	1,729	(677)	–	3,014	–	3,014
Shares issued on placement	7,020	10,980	–	–	18,000	–	18,000
Transaction costs attributable to issue of new shares	–	(532)	–	–	(532)	–	(532)
Recognition of share option benefits at fair value	–	–	133	–	133	–	133
Share options forfeited	–	–	(1)	1	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	4	4
Total comprehensive (expense)/income for the year	–	–	9	(5,193)	(5,184)	34	(5,150)
Balance at 31 March 2011	45,959	47,759	19,910	(71,312)	42,316	38	42,354

The notes on pages 44 to 105 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Operating activities			
Loss before taxation		(5,090)	(671)
Adjustments for:			
Share-based payments	23(a)	133	238
Depreciation of property, plant and equipment	13	271	184
Net realised loss/(gain) on financial assets designated as at fair value through profit or loss		90	(38)
Fair value losses in financial assets designated as at fair value through profit or loss	19	–	54
Allowance for impairment of bad and doubtful debts		356	–
Interest income	6	(46)	(101)
Share of profit of an associate		(570)	(656)
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
Trade and other receivables		(1,037)	(138)
Trade and other payables		2,302	(292)
Cash used in operations		(3,591)	(1,420)
Overseas tax paid		(56)	(8)
Net cash used in operating activities		(3,647)	(1,428)
Investing activities			
Net (increase)/decrease in amount due from an associate	15	(58)	49
Purchase of property, plant and equipment	13	(725)	(154)
Purchase of financial assets designated as at fair value through profit or loss		–	(8,200)
Proceeds from disposal of financial assets designated as at fair value through profit or loss		8,094	–
Payment of an investment deposit		(9,500)	–
Interest received		46	101
Decrease/(increase) in bank deposits with maturity greater than three months	20	7,748	(7,748)
Net cash generated from/(used in) investing activities		5,605	(15,952)

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Note	2011 *HK$'000*	2010 *HK$'000*
Financing activities			
Capital contribution from non-controlling interests		4	–
Net proceeds from issue of shares		20,482	–
Net cash generated from financing activities		20,486	–
Net increase/(decrease) in cash and cash equivalents		22,444	(17,380)
Cash and cash equivalents at beginning of the year		2,430	19,781
Effect of foreign exchange rates changes		9	29
Cash and cash equivalents at end of the year	*20*	24,883	2,430

The notes on pages 44 to 105 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 Hong Kong dollars (HK$'000) and all values are rounded to the nearest thousand except where otherwise indicated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with 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 GEM of the Stock Exchange (the "GEM Listing Rules") throughout the year.

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

The HKICPA has issued certain new and revised HKFRSs 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 financial 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 non-controlling 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 non-controlling interests *(Continued)*

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests (previously known as "minority interests"), represent the equity in a subsidiary not attributable directly or indirectly to the Company, 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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets. Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Loan from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(l) depending on the nature of the liability.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group losses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial assets *(see note 2(i))* or, when appropriate, the cost on initial recognition of an investment in an associate *(see note 2(b)(ii))*.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(i) Subsidiaries and non-controlling interests *(Continued)*

In the Company's balance sheet, investments in subsidiaries are stated at cost less any accumulated impairment losses *(see note 2(h))*.

The results of subsidiaries are accounted by the Company on the basis of dividends received and receivables.

(ii) Associate

An associate is an entity, not being a subsidiary or jointly controlled entity, over which the Group has significant influence but not control or joint control, over its management, including participation in the financial and operating policy decisions, 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 Group's 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 are recognised in the income statement whereas the Group's share of the post-acquisition post-tax items of the associate's other comprehensive income is recognised in the consolidated statement of comprehensive income.

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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(ii) Associate (Continued)

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial assets *(see note 2(i))* or, when appropriate, the cost on initial recognition of an investment in an associate.

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

(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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 Hong Kong dollars, which is the Group'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 profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated separately in equity in the fair value reserve.

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 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 equity in the exchange translation reserve.

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 equity in the exchange translation reserve. When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

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 year-end 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. Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over.

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Goodwill *(Continued)*

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment. In respect of associate, 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 *(note 2(h))*.

On disposal of a cash generating unit, or an associate during the year, any attributable amount of the purchased goodwill is included in the calculation of profit or loss on disposal.

(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 2011 were expensed as no expenditure met the criteria for deferral.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets

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

Investments in debt and equity securities (other than investments in subsidiaries and associate: see note (ii) below) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtors;

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

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

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

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

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

– For 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.

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)

– 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.

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivables included within trade and 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 and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

(ii) impairment of other assets

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

– *Calculation of recoverable amount*

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Impairment of assets *(Continued)*

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

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

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

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

(i) Financial assets

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

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial assets *(Continued)*

Loans and receivables

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

(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.

(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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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 profit or loss 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 enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Income tax *(Continued)*

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 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.

(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.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Employee benefits *(Continued)*

(ii) Pension obligations

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

(iii) Share-based compensation

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share-based payment reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged or credited to the income statement for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based payment reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based payment reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

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 profit or loss 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.

(r) Operating lease

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 are expensed in the income statement on a straight-line basis over the period of the lease.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued the following new and revised HKFRS that are first effective for the current accounting period of the Group and the Company.

HKFRS 3 (revised 2008)	Business combinations
Amendments to HKAS 27	Consolidated and separate financial statements
Amendments to HKFRS 5	Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary
Amendments to HKAS 39	Financial instruments: Recognition and measurement – Eligible hedged items
Improvements to HKFRSs (2009)	
HK(IFRIC) 17	Distributions of non-cash assets to owners
HK(Int) 5	Presentation of financial statements – Classification by the Borrower of a term loan that contains a repayment on demand clause

The above new and revised HKFRS have had no material impact on the Group's consolidated financial statements as the amendments and interpretations are consistent with the accounting policies already adopted by the Group on preparation of the financial statements in prior years.

As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

– Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

– If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

– Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

Notes to the Financial Statements

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

– If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

– In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Company's and the Group's may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010.

– If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposal, respectively.

– If the Group loses control of a subsidiary, the transactions will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

Notes to the Financial Statements

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, "Investments in associates", the following policies will be applied as from 1 January 2010.

– If the Group holds interests in the acquiree immediately prior to obtaining significant influence, these interests will be treated as if disposed of and reacquired at fair value on the date of obtaining significant influence. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

– If the Group loses significant influence, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

– As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore 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)*.

Notes to the Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(a) Allowance for impairment of trade and other receivables

The Group assesses impairment of trade and other receivables based upon evaluation of the recoverability of the trade and other receivables at each balance sheet date. The estimates are based on the ageing of the trade and other receivables and the historical write-off experience. If the financial condition of the debtors were to deteriorate, additional impairment may be required. A considerable level of judgement is exercised by the directors when assessing the financial condition and credit worthiness of each customer. An increase or decrease in the impairment loss would affect the net profit in future years.

(b) Income tax and deferred tax

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

Deferred tax assets recognised to the extent that it is probable that future taxable profit will be available against the temporary differences or tax losses can be utilised. In the current year, deferred tax assets relating to certain temporary differences and tax losses are not recognised in the financial statements.

Notes to the Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

Critical accounting estimates and assumptions *(Continued)*

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

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

(c) Estimated impairment of goodwill

The 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 2011 is as follows:

	Hong Kong/ Macau 2011 *HK$'000*	PRC 2011 *HK$'000*	Australia 2011 *HK$'000*	Singapore 2011 *HK$'000*	Taiwan 2011 *HK$'000*	Others* 2011 *HK$'000*	Total 2011 *HK$'000*
Turnover	22,290	750	104	630	115	536	24,425
Segment results	(2,514)	167	104	207	(3)	311	(1,728)
Unallocated costs							(3,932)
Operating loss							(5,660)
Share of profit of an associate							570
Loss before taxation							(5,090)
Taxation							(69)
Loss for the year							(5,159)
Segment assets	7,877	1,202	–	–	168	–	9,247
Interest in an associate							9,359
Unallocated assets							30,329
Total assets							48,935
Segment liabilities	(5,987)	(316)	–	–	(49)	–	(6,352)
Current tax payable							(13)
Unallocated liabilities							(216)
Total liabilities							(6,581)
Capital expenditure	716	9	–	–	–	–	725
Depreciation of property, plant and equipment	269	2	–	–	–	–	271

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

Notes to the Financial Statements

5 SEGMENT INFORMATION *(Continued)*

The segment information 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)
Current tax payable							–
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.*

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:

	2011 HK$'000	2010 HK$'000
Turnover		
Service fees from provision of mobile data solutions and related services	24,425	18,134
Other income		
Interest income	46	101
Sundry income	33	328
	79	429
Gains, net		
Exchange gain	724	65
Net realised (loss)/gain in financial assets designated as at fair value through profit or loss	(90)	38
Fair value losses in financial assets designated as at fair value through profit or loss	–	(54)
	634	49
	713	478
	25,138	18,612

Notes to the Financial Statements

7 OPERATING LOSS

Operating loss is stated after charging the following:

	2011	2010
	HK$'000	*HK$'000*
Auditor's remuneration		
– current year	**220**	186
– underprovided in prior year	**25**	–
Depreciation of property, plant and equipment	**271**	184
Staff costs, including directors' emoluments and amount classified as research and development expenses	**13,995**	7,356
Operating lease rentals of premises and facilities	**1,489**	1,176
Share of associate's taxation	**213**	179

8 STAFF COSTS

	2011	2010
	HK$'000	*HK$'000*
Wages and salaries	**12,208**	6,938
Pension costs – defined contribution schemes	**303**	180
Share-based payments	**133**	238
Discretionary and performance related incentive payments	**1,351**	–
	13,995	7,356

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

2011 Name of Directors	Directors' fees *HK$'000*	Salaries and allowances *HK$'000*	MPF contributions *HK$'000*	Share-based payments *HK$'000*	Discretionary and performance related incentive payments *HK$'000*	Other emoluments *HK$'000*	Total *HK$'000*
Executive Directors:							
Chan Chung	–	1,274	12	126	1,231	522	3,165
Chan Wai Kwong, Peter	–	297	11	–	120	–	428
Siu King Nin, Peter (1)	–	776	–	–	–	–	776
Choi Ho Yan (2)	–	627	15	–	–	–	642
Independent Non-executive Directors:							
Chiu Wai Piu (2)	81	–	–	–	–	–	81
Cheung Kwan Hung, Anthony (3)	75	–	–	–	–	–	75
Heung Chee Hang, Eric (3)	75	–	–	–	–	–	75
Jeffery Matthew Bistrong (4)	33	–	–	–	–	–	33
Chu Chin Tai, Eric (5)	32	–	–	–	–	–	32
Chen Kwok Wang, Kester (5)	32	–	–	–	–	–	32
Total	328	2,974	38	126	1,351	522	5,339

Notes:

(1) *Appointed on 10 June 2010*
(2) *Appointed on 30 July 2010*
(3) *Appointed on 18 August 2010*
(4) *Resigned on 30 July 2010*
(5) *Resigned on 18 August 2010*

Notes to the Financial Statements

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

(a) Directors' emoluments *(Continued)*

2010 **Name of Directors**	Directors' fees *HK$'000*	Salaries and allowances *HK$'000*	MPF contributions *HK$'000*	Share-based payments *HK$'000*	Discretionary and performance related incentive 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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2010: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2010: four) employees during the year are as follows:

	2011 ***HK$'000***	2010 *HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**1,393**	2,168
Contributions to MPF scheme	**24**	48
Share-based payments	**3**	116
	1,420	2,332

Notes to the Financial Statements

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

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

The number of the remaining two (2010: four) employees whose emoluments fall within the following band:

	2011	2010
HK$Nil to HK$1,000,000	**2**	4

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.

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year (2010: Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in countries in which the Group operates.

	2011	2010
	HK$'000	*HK$'000*
Current tax		
– Hong Kong profits tax	**13**	–
– Overseas tax	**56**	8
Taxation charge	**69**	8

Notes to the Financial Statements

10 TAXATION *(Continued)*

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

	2011	2010
	HK$'000	*HK$'000*
Loss before taxation	**(5,090)**	(671)
Tax at the domestic income tax rate of 16.5% (2010: 16.5%)	**(840)**	(111)
Tax effect of income not subject to taxation	**(88)**	(111)
Tax effect of expenses that are not deductible in for taxation purposes	**876**	441
Tax effect of temporary differences for the year unrecognised	**(49)**	1
Tax effect of unrecognised tax losses for the year	**151**	–
Tax effect of utilisation of previously unrecognised tax losses	**–**	(320)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**19**	108
Taxation charge	**69**	8

11 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$3,535,000 (2010: HK$1,851,000).

Notes to the Financial Statements

12 LOSS PER SHARE

(a) Basic loss per share

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

	2011	2010
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company	**(5,193)**	(679)
Weighted average number of ordinary shares in issue during the year	**510,393,372**	473,411,363
Basic loss per share	**(1.02) cent**	(0.14) cent

(b) Diluted loss per share

No diluted loss per share has been calculated for the year ended 31 March 2011 and 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 *HK$'000*	Leasehold improvements, furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
Cost				
At 1 April 2009	5,291	257	141	5,689
Additions	154	–	–	154
Currency realignment	53	–	–	53
At 31 March 2010	5,498	257	141	5,896
Additions	500	221	4	725
Currency realignment	66	–	–	66
At 31 March 2011	6,064	478	145	6,687
Accumulated depreciation				
At 1 April 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
Depreciation provided for the year	238	33	–	271
Currency realignment	66	–	–	66
At 31 March 2011	5,528	263	141	5,932
Net book value				
At 31 March 2011	536	215	4	755
At 31 March 2010	274	27	–	301

Notes to the Financial Statements

14 INTERESTS IN SUBSIDIARIES

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

	2011	2010
	HK$'000	*HK$'000*
Unlisted shares, at cost	**24,462**	24,453
Impairment losses	**(24,460)**	(24,453)
Carrying value	**2**	–
Amounts due from subsidiaries (note (i))	**40,661**	27,978
Allowance for impairment of doubtful debts	**(28,232)**	(27,978)
	12,429	–
	12,431	–

Details of the subsidiaries at 31 March 2011 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%
Full Rich Human Resources Limited	Hong Kong	Human Resources management in Hong Kong	100 ordinary shares of HK$1 each	100%
Gold Continental Investments Limited	British Virgin Islands	Investment holding in Hong Kong	100 ordinary shares of US$1 each	100%
Golden Kingtex 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 (Taiwan) Limited	British Virgin Islands	Provision of mobile data solutions and related services in Taiwan	100 ordinary shares of US$1 each	100%
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 (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%
MTel (Asia) Limited (Formerly 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	The People's Republic of China ("The PRC")	Provision of technical information consultancy services in Beijing	RMB100,000	80%

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
廣州市八達網科技有限公司	The PRC	Provision of mobile data solutions and related services in Guangzhou	HK$900,000	100%
Mooff Games Limited	Hong Kong	Development and provision of mobile data solutions and related services in Hong Kong	10,000 ordinary shares of HK$1 each	60%

Notes:

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

As at 31 March 2011, the amounts due of HK$28,232,000 (2010: HK$27,978,000) 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:

	2011 **HK$'000**	2010 HK$'000
At beginning of the year	**27,978**	28,594
Provision made/(unused amounts reversed)	**254**	(616)
At end of the year	**28,232**	27,978

(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

	2011 HK$'000	2010 HK$'000
Share of net assets, other than goodwill	2,878	2,308
Goodwill	5,513	5,513
	8,391	7,821
Amount due from an associate	968	910
	9,359	8,731

(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/ place of incorporation	Assets HK$'000	Liabilities HK$'000	Revenue HK$'000	Profit HK$'000	% Interest held
2011							
廣州流之動資訊技術有限公司	RMB1,000,000	The PRC	7,851	1,205	11,884	855	43.3
2010							
廣州流之動資訊技術有限公司	RMB1,000,000	The PRC	6,765	1,204	13,057	1,515	43.3

16. INVESTMENT DEPOSIT

The investment deposit represents the amount paid for the acquisition of the entire issued share capital of Best Team International Investment Limited and was therefore classified as non-current assets. Further details are set out in note 30(a).

Notes to the Financial Statements

17 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 2011				
Amount due from an associate	968	–	–	968
Trade and other receivables	3,562	–	–	3,562
Cash and deposits with banks	24,883	–	–	24,883
Trade and other payables	–	–	(6,108)	(6,108)
Total financial assets/(liabilities)	29,413	–	(6,108)	23,305
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

Notes to the Financial Statements

17 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 2011				
Cash and deposits with banks	20,563	–	–	20,563
Other payables	–	–	(197)	(197)
Total financial assets/(liabilities)	20,563	–	(197)	20,366
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

Notes to the Financial Statements

18 TRADE AND OTHER RECEIVABLES

(a) GROUP

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**3,566**	3,073
Less: allowance for impairment of bad and doubtful debts	**(356)**	–
	3,210	3,073
Prepayments, other receivables and deposits	**1,228**	684
	4,438	3,757

The credit period granted by the Group to its customers is generally 30 days. The ageing analysis of trade receivables, net of allowance, at the balance sheet date is as follows:

	2011	2010
	HK$'000	*HK$'000*
Less than 30 days	**2,241**	1,637
31 to 60 days	**969**	652
61 to 90 days	**–**	227
Over 90 days	**–**	557
	3,210	3,073

The movements on the allowance for impairment of bad and doubtful debts of the Group are as follows:

	2011	2010
	HK$'000	*HK$'000*
At 1 April	**–**	–
Impairment loss recognised	**356**	–
At 31 March	**356**	–

Notes to the Financial Statements

18 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) GROUP *(Continued)*

The above allowance for impairment of bad and doubtful debts is a provision for individually impaired trade receivables. The individually impaired trade receivables represent sales made to customers which have remained long overdue. The Group does not hold any collateral or other credit enhancements over these balances.

At 31 March 2011, trade receivables of HK$356,000 (2010: Nil) were impaired. The amount of allowance was HK$356,000 as at 31 March 2011 (2010: Nil). It is assessed that a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables that are considered to be impaired is as follows:

	2011	2010
	HK$'000	*HK$'000*
61 to 90 days	**176**	–
Over 90 days	**180**	–
	356	–

As at 31 March 2011, trade receivables of HK$1,091,000 (2010: HK$1,567,000) 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:

	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**2,119**	1,506
Less than 30 days past due	**789**	524
31 to 60 days past due	**302**	293
61 to 90 days past due	**–**	196
Over 90 days past due	**–**	554
	1,091	1,567
	3,210	3,073

Notes to the Financial Statements

18 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) COMPANY

	2011	2010
	HK$'000	*HK$'000*
Prepayments and other receivables	**166**	244

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

	GROUP		COMPANY	
	2011	2010	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Foreign currency-linked notes	**–**	8,184	**–**	8,184

The Group had 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. These foreign currency-linked notes would be redeemed by cash only and measured at fair value.

During the year, the Group has redeemed all the outstanding foreign currency-linked notes for cash. As such, there would be no change in fair value of these foreign currency-linked notes at year end that was to be charged to profit or loss (2010: HK$54,000).

20 CASH AND DEPOSITS WITH BANKS

(a) GROUP

	2011	2010
	HK$'000	*HK$'000*
Cash and deposits with banks in the balance sheet	**24,883**	10,178
Less: Bank deposit with maturity greater than three months	**–**	(7,748)
Cash and cash equivalents in the consolidated statement of cash flows	**24,883**	2,430

Notes to the Financial Statements

20 CASH AND DEPOSITS WITH BANKS *(Continued)*

(b) COMPANY

	2011 *HK$'000*	2010 *HK$'000*
Cash and deposits with banks in the balance sheet	**20,563**	7,918

Included in cash and deposits with bank in balance sheets are the following amounts denominated in currencies other than the functional currency of the entity to which they relate:

	GROUP		COMPANY	
	2011	2010	**2011**	2010
Pound Sterling	**675,000**	400,000	**675,000**	400,000
Euro dollars	**97,000**	–	**97,000**	–

The effective interest rates for the Group's time deposits were in the range of 0.35%-0.48% per annum in 2010.

21 SHARE CAPITAL

	Ordinary shares of US$0.01 each			
	Number of shares		Nominal value	
	2011	2010	**2011** *HK$'000*	2010 *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**	473,411,363	**36,977**	36,977
Shares issued upon exercise of share options *(note a)*	**25,156,065**	–	**1,962**	–
Placing of new shares *(note b)*	**90,000,000**	–	**7,020**	–
At end of the year	**588,567,428**	473,411,363	**45,959**	36,977

Notes to the Financial Statements

21 SHARE CAPITAL *(Continued)*

Notes:

(a) During the year, 25,156,065 share options were exercised at exercise prices ranging from HK$0.078 to HK$0.191 per share, resulting in an issue of 25,156,065 new ordinary shares of US$0.01 each and new share capital of HK$1,962,000 and share premium of HK$1,052,000, together with a release of the share options reserve amounting to HK$677,000 credited to the share premium account (note 23). Details of share options outstanding and movements during the year are set out in note 22.

(b) On 4 November 2010, the Company has entered into a placing agreement with a placing agent, which the Company has agreed to place up to 90,000,000 new ordinary shares of US$0.01 each at HK$0.2 per placing share to Ever Champion Trading Limited. The transaction was completed on 24 November 2010, resulting in an issue of 90,000,000 new ordinary shares of US$0.01 each and new share capital of HK$7,020,000 and share premium of HK$10,980,000 before any transactions cost.

All new ordinary shares issued during the year rank passu in all respects with existing shares.

22 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 330,000 (2010: 1,327,500) shares at exercise prices ranging from HK$0.090 to HK$0.191 each, representing, in aggregate, approximately 0.06% 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. Options are only exercisable after one year from the date of grant of these options.

Notes to the Financial Statements

22 SHARE OPTIONS *(Continued)*

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

The number and weighted average exercise prices of share options under the Pre-IPO Share Option Scheme are as follows:

	2011		2010	
	Weighted average exercise price *HK$*	Number of options	Weighted average exercised price *HK$*	Number of options
Outstanding at 1 April	0.106	1,327,500	0.108	1,367,500
Exercised	0.102	(997,500)	–	–
Forfeited	–	–	0.191	(40,000)
Outstanding at 31 March	0.118	330,000	0.106	1,327,500
Exercisable at 31 March	0.118	330,000	0.106	1,327,500

The weighted average share price at the date of exercise for shares options exercised during the year was HK$0.295 (2010: Not applicable).

The options outstanding at 31 March 2011 had a range of exercise price from HK$0.090 to HK$0.191 (2010: HK$0.090 to HK$0.191), and a weighted average remaining contractual life of 2.4 years (2010: 3.4 years).

Notes to the Financial Statements

22 SHARE OPTIONS *(Continued)*

(ii) Share Option Scheme

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

The number and weighted average exercise prices of share options under the Share Option Scheme are as follows:

	2011		2010	
	Weighted average exercise price *HK$*	**Number of options**	Weighted average exercised price *HK$*	Number of options
Outstanding at 1 April	**0.121**	**24,458,565**	0.117	19,424,452
Granted	**–**	**–**	0.134	5,034,113
Exercised	**0.121**	**(24,158,565)**	–	–
Forfeited	**0.134**	**(50,000)**	–	–
Outstanding at 31 March	**0.134**	**250,000**	0.121	24,458,565
Exercisable at 31 March	**0.134**	**250,000**	0.117	19,424,452

The weighted average share price at the date of exercise for shares options exercised during the year was HK$0.262 (2010: Not applicable).

The options outstanding at 31 March 2011 had an exercise price of HK$0.134 (2010: HK$0.078 to HK$0.134), and a weighted average remaining contractual life of 8.88 years (2010: 8.42 years).

Notes to the Financial Statements

22 SHARE OPTIONS *(Continued)*

(iii) Other Options

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

(iv) Fair values of share options and assumptions

Fair values of share options 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))*
Share price	HK$0.134
Exercise price	HK$0.134
Expected volatility	32.60%
Expected option life (in years)	3
Risk-free-rate	0.96%
Expected dividends	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$133,000 for the year ended 31 March 2011 (2010: HK$238,000) in relation to share options granted by the Company on 17 February 2010.

Notes to the Financial Statements

23 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 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 (expense)/ income for the year	–	–	–	29	–	(679)	(650)
Balance at 31 March 2010	35,582	16,375	2,943	572	556	(66,120)	(10,092)
Shares issued upon exercise of share option	1,729	–	–	–	(677)	–	1,052
Share issued on placement	10,980	–	–	–	–	–	10,980
Transaction costs attributable to issue of new shares	(532)	–	–	–	–	–	(532)
Recognition of share option benefits at fair value	–	–	–	–	133	–	133
Share options forfeited	–	–	–	–	(1)	1	–
Total comprehensive (expense)/ income for the year	–	–	–	9	–	(5,193)	(5,184)
Balance at 31 March 2011	47,759	16,375	2,943	581	11	(71,312)	(3,643)

Notes to the Financial Statements

23 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 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 (expense)/ income for the year	–	–	–	–	(1,851)	(1,851)
Balance at 31 March 2010	35,582	16,375	2,943	556	(76,550)	(21,094)
Shares issued upon exercise of share option	1,729	–	–	(677)	–	1,052
Share issued on placement	10,980	–	–	–	–	10,980
Transaction costs attributable to issue of new shares	(532)	–	–	–	–	(532)
Recognition of share option benefits at fair value	–	–	–	133	–	133
Share options forfeited	–	–	–	(1)	1	–
Total comprehensive expense for the year	–	–	–	–	(3,535)	(3,535)
Balance at 31 March 2011	**47,759**	**16,375**	**2,943**	**11**	**(80,084)**	**(12,996)**

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

24 TRADE AND OTHER PAYABLES

(a) GROUP

	2011	2010
	HK$'000	*HK$'000*
Trade payables	**1,816**	1,954
Accrued expenses	**3,270**	1,557
Other payables	**1,482**	755
	6,568	4,266

The ageing analysis of trade payables is as follows:

	2011	2010
	HK$'000	*HK$'000*
Less than 30 days	**528**	641
31 to 60 days	**444**	471
61 to 90 days	**180**	220
Over 90 days	**664**	622
	1,816	1,954

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.

Notes to the Financial Statements

24 TRADE AND OTHER PAYABLES *(Continued)*

(b) COMPANY

	2011	2010
	HK$'000	*HK$'000*
Other payables	**197**	463

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.

25 DEFERRED TAXATION

There was no deferred tax asset 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:

	2011	2010
	HK$'000	*HK$'000*
Deductible temporary differences	**586**	883
Unused tax losses	**29,189**	28,273
	29,775	29,156

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

Notes to the Financial Statements

26 COMMITMENTS

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 2011, the Group had the total future minimum lease payments under various non-cancellable operating leases falling due as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**1,993**	607
In the second to fifth years, inclusive	**1,448**	–
	3,441	607

27 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.

	2011	2010
	HK$'000	*HK$'000*
Contributions to MPF Scheme	**303**	180

Notes to the Financial Statements

28 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	2011	2010
	HK$'000	*HK$'000*
Associate:		
Balance due to the Group as at the balance sheet date *(Note (i))*	**968**	910
Interest received	**13**	13
Subcontracting charges	**12**	68
Connected persons:		
Investment deposit *(Note (ii))*	**9,500**	–

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.

(ii) During the year, the Group had entered into a significant transaction with Poon Sum and Poon Sau Tin who are the substantial shareholders of a Main Board Listed company, PetroAsian Energy Holdings Limited. PetroAsian Energy Holdings Limited is a substantial shareholder of the Company. They are deemed to be connected parties pursuant to the GEM Listing Rules. Detail of the transaction is set out in Note 30(a). According to the transaction, the Group has paid HK$9,500,000 to the vendors in cash as a deposit for the acquisition.

(b) Compensation of key management personnel represents directors' remuneration for both 2011 and 2010 were 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.

Notes to the Financial Statements

29 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.

The Group is also exposed to foreign currency risk arises from foreign currency deposits which these assets are mainly denominated in Pound Sterling.

At 31 March 2011, if HK$ had strengthened/weakened by 10% against the Pound Sterling, with all other variables held constant, loss for the year would have been approximately HK$845,000, higher or lower (2010: HK$431,000 less or HK$827,000 more). Same effect would apply to the Group's equity as at the year end (2010: HK$431,000 less or HK$827,000 more).

The Group currently does not have a formal currency hedging policy in relation to currency risk. The directors of the Group monitor the Group's exposure on 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.

Notes to the Financial Statements

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

(a) Financial risk factors *(Continued)*

(1) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

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.

(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 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 2011 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 65% (2010: 66%) 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 an associate, and trade and other receivables are set out in notes 15 and 18.

Notes to the Financial Statements

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

(a) Financial risk factors *(Continued)*

(3) Liquidity risk

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

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

	Total carrying amount	**Less than 1 year or payable on demand**
	HK$'000	*HK$'000*
2011		
Trade payables	1,816	1,816
Accrued expenses	3,270	3,270
Other payables	1,022	1,022
	6,108	6,108
2010		
Trade payables	1,954	1,954
Accrued expenses	1,557	1,557
Other payables	424	424
	3,935	3,935

Notes to the Financial Statements

29 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 2011, the Group's strategy, which was unchanged from 2010, 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 2011 and 2010 were as follows:

	2011 *HK$'000*	2010 *HK$'000*
Current liabilities	**6,581**	4,266
Total debts	**6,581**	4,266
Adjusted capital	**42,354**	26,885
Debt-to-adjusted capital ratio	**15.54%**	15.87%

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

Notes to the Financial Statements

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

(c) Fair values

(i) Financial instruments carried at fair value

The following table 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.

All the Group's financial assets designated as at fair value through profit or loss were redeemed during the year. The fair value of the Group's financial assets designated as at fair value through profit or loss at 31 March 2010, with carrying value of approximately HK$8,184,000 was based on Level 2 measurement (note 19).

(ii) Fair values of 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

30 NON-ADJUSTING POST BALANCE SHEET EVENT

(a) The acquisition of the entire issued share of Best Team International Investment Limited (the "Sales Shares")

On 15 February 2011, Gold Continental Investment Limited ("Gold Continental"), a wholly owned subsidiary of the Company, Poon Sum and Poon Sau Tin (hereafter referred as the ("Vendors")), entered into the agreement pursuant to which Gold Continental has agreed to purchase and the Vendors has agreed to sell Sales Shares, for a total consideration of HK$65,000,000. Best Team International Investment Limited ("Best Team") is principally engaged in investment holding. Upon completion of the reorganisation, the subsidiary of Best Team shall hold equity interests in the two PRC property development project companies.

Gold Continental paid HK$9,500,000 to the Vendors in cash as a deposit and part payment of the consideration on the date of the agreement and shall pay another HK$20,500,000 to Vendors in cash at the date of completion of the Sales Share. The remaining of HK$35,000,000 is to be settled by issuance of HK$33,000,000 convertible bonds (the "Convertible Bonds") and HK$2,000,000 (the "Warrants"). The details of the acquisition are set out in the Company's circular dated 29 April 2011.

The acquisition is completed on 3 June 2011. The Company has not received any notice of the exercise of the conversion rights attached to the Convertible Bonds or subscription rights attached to the Warrants since the completion and no shares were issued pursuant to the conversion of the Convertible Bonds and Warrants.

(b) Open offer of 588,567,428 offer shares on the basis of one offer share for every share held on the record date

On 4 April 2011, the Company entered into underwriting agreement with Ever-Long Securities Company Limited, pursuant to which, the Company proposed to raise not less than approximately HK$58.86 million, before expenses by way of open offer of not less than 588,567,428 offer shares and not more than 592,147,428 offer shares at the subscription price of HK$0.1 per offer share on the basis of one offer share for every share held on the record date and payable in full on acceptance. The details of the open offer are set out in the Company's prospectus dated 25 May 2011.

Notes to the Financial Statements

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2011

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 2011 and which have not been early adopted in these 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.

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
Revised HKAS 24, Related Party Disclosures	1 January 2011
HKFRS 9, Financial Instruments	1 January 2013
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011
Amendments to HKAS 12, Income Taxes	1 January 2012

Five Fiscal Years Financial Summary

RESULTS

	For the year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**24,425**	18,134	20,321	19,742	21,717
(Loss)/profit before taxation	**(5,090)**	(671)	754	381	8,484
Taxation	**(69)**	(8)	(6)	(8)	(261)
(Loss)/profit for the year	**(5,159)**	(679)	748	373	8,223
Non-controlling interests	**34**	–	–	(9)	374
(Loss)/profit attributable to equity holders of the Company	**(5,193)**	(679)	748	382	7,849

ASSETS AND LIABILITIES

	At 31 March				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**48,935**	31,151	31,855	30,614	29,211
Total liabilities and non-controlling interests	**(6,619)**	(4,266)	(4,558)	(4,154)	(3,440)
Shareholders' funds	**42,316**	26,885	27,297	26,460	25,771