



Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8266



Interim 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 the 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.

RESULTS

The board of Directors (the "Board") of Mobile Telecom Network (Holdings) Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred as the "Group") for the three months and six months ended 30 September 2011, together with the unaudited comparative figures for the corresponding periods in 2010 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2011

	<i>Notes</i>	Three months ended 30 September		Six months ended 30 September	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Turnover	2	6,935	5,992	14,255	10,487
Other income and gains, net		11	548	14	601
Telecom operators and content providers costs		(2,338)	(2,760)	(4,983)	(5,039)
Employment costs		(4,292)	(2,555)	(8,776)	(4,284)
Research and development expenses		(1,381)	(610)	(2,624)	(1,145)
Depreciation of property, plant and equipment		(111)	(60)	(216)	(114)
Allowance for impairment of bad and doubtful debts		(1,176)	–	(1,176)	–
Other operating expenses		(2,214)	(978)	(6,570)	(2,408)
Operating loss		(4,566)	(423)	(10,076)	(1,902)
Finance costs		(474)	–	(631)	–
Share of results of associates		(161)	287	(182)	475
Loss before taxation		(5,201)	(136)	(10,889)	(1,427)
Taxation	3	19	(47)	–	(47)
Loss for the period		(5,182)	(183)	(10,889)	(1,474)

	<i>Notes</i>	Three months ended 30 September		Six months ended 30 September	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Attributable to:					
Equity holders of the Company		(5,044)	(174)	(10,763)	(1,358)
Non-controlling interests		(138)	(9)	(126)	(116)
		<u>(5,182)</u>	<u>(183)</u>	<u>(10,889)</u>	<u>(1,474)</u>
Loss per share for loss attributable to the equity holders of the Company during the period	4				
– Basic (HK cent)		<u>(0.429)</u>	<u>(0.032)</u>	<u>(1.123)</u>	<u>(0.247)</u>
– Diluted (HK cent)		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2011

	Three months ended 30 September		Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Loss for the period	(5,182)	(183)	(10,889)	(1,474)
Other comprehensive income for the period:				
Exchange difference arising on translation of financial statements of foreign operations	180	44	256	45
Total comprehensive loss for the period	(5,002)	(139)	(10,633)	(1,429)
Attributable to:				
Equity holders of the Company	(4,945)	(130)	(10,610)	(1,313)
Non-controlling interests	(57)	(9)	(23)	(116)
Total comprehensive loss for the period	(5,002)	(139)	(10,633)	(1,429)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2011

	Notes	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		767	755
Investment property		30,143	–
Goodwill		32,251	–
Interests in associates	6	33,846	9,359
Investment deposit		2,000	9,500
Total non-current assets		99,007	19,614
Current assets			
Properties under development		31,817	–
Trade and other receivables	7	3,352	4,438
Derivative financial instrument		6,450	–
Cash and deposits with banks		22,118	24,883
Total current assets		63,737	29,321
Total assets		162,744	48,935
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	9	91,945	45,959
Reserves		14,504	(3,643)
		106,449	42,316
Non-controlling interests		6,319	38
Total equity		112,768	42,354
LIABILITIES			
Non-current liabilities			
Convertible bonds	8	27,564	–
Deferred tax liabilities		6,612	–
Total non-current liabilities		34,176	–

		Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
	Notes		
Current liabilities			
Trade and other payables	10	14,664	6,568
Derivative financial instrument		1,123	–
Current tax payables		13	13
Total current liabilities		15,800	6,581
Total liabilities		49,976	6,581
Total equity and liabilities		162,744	48,935
Net current assets		47,937	22,740
Total assets less current liabilities		146,944	42,354

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Attributable to equity holders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Exchange translation reserve	Share-based payment reserve	Convertible bonds equity reserve	Warrant reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2010	36,977	35,582	16,375	2,943	572	556	-	-	(66,120)	26,885	-	26,885
Share options lapsed during the period	-	-	-	-	-	(1)	-	-	1	-	-	-
Share options issued upon exercise of share options	463	137	-	-	-	-	-	-	-	600	-	600
Recognition of share option benefits at fair value	-	-	-	-	-	74	-	-	-	74	-	74
Transfer to share premium on exercise of share options	-	134	-	-	-	(134)	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	45	-	-	-	(1,358)	(1,313)	(116)	(1,429)
Balance at 30 September 2010	37,440	35,853	16,375	2,943	617	495	-	-	(67,477)	26,246	(116)	26,130
Balance at 1 April 2011	45,959	47,759	16,375	2,943	581	11	-	-	(71,312)	42,316	38	42,354
Issue of warrants on acquisition of interests in subsidiary	-	-	-	-	-	-	-	7,400	-	7,400	-	7,400
Issue of convertible bonds on acquisition of interests in subsidiary	-	-	-	-	-	-	9,356	-	-	9,356	-	9,356
Issue of shares upon open offer	45,908	12,949	-	-	-	-	-	-	-	58,857	-	58,857
Issue of shares upon exercise of share options	78	62	-	-	-	-	-	-	-	140	-	140
Transaction costs attributable to issue of new shares	-	(2,278)	-	-	-	-	-	-	-	(2,278)	-	(2,278)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	6,304	6,304
Recognition of share option benefits at fair value	-	-	-	-	-	1,268	-	-	-	1,268	-	1,268
Transfer to share premium on exercise of share options	-	65	-	-	-	(65)	-	-	-	-	-	-
Total comprehensive (loss)/income for the period	-	-	-	-	153	-	-	-	(10,763)	(10,610)	(23)	(10,633)
Balance at 30 September 2011	91,945	58,557	16,375	2,943	734	1,214	9,356	7,400	(82,075)	106,449	6,319	112,768

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Net cash used in operating activities	(6,136)	(1,628)
Net cash (used in)/generated from investing activities	(53,378)	5,724
Net cash generated from financing activities	56,719	600
Net (decrease)/increase in cash and cash equivalents	(2,795)	4,696
Cash and cash equivalents at 1 April	24,883	12,830
Effect of foreign exchange rates changes	30	68
Cash and cash equivalents at 30 September	22,118	17,594
Analysis of cash and cash equivalents:		
Cash and deposits with banks	22,118	17,594

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited interim financial statements for the six months ended 30 September 2011 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

These interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2011.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2011 except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRS”) that are adopted for the first time for the current period’s financial information.

Revised HKAS 24	Related Party Disclosures
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments
Improvements to HKFRSs 2010	

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective.

2. Segment information

In last annual report, as at 31 March 2011, the Group is mainly engaged in the mobile data solutions business and therefore its reporting format was geographical segments comprising Hong Kong/ Macau, PRC, Australia, Singapore, Taiwan and others. During the current period, the Group involves in the business of property development in the PRC and property investment in Hong Kong through the acquisition of subsidiaries.

The diversification of business has resulted in a redesignation of the Group’s reportable segments as compared with the reportable segments determined in the last annual report. The Group’s reportable segments in the current period are therefore as follows:

- Mobile data solution business

- Property development
- Property investment

For the purpose 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.

Segment assets include mainly property, plant and equipment, investment property, goodwill, properties under development, receivables and operating cash. Segment liabilities include mainly operating liabilities. They exclude convertible bonds, deferred tax liabilities and current tax payables.

Revenue reported represents revenue generated from external customers. There were no inter-segment sales during the period (2010: Nil).

The segment information provided to the Group's top management for the reportable segments for the six months ended 30 September 2011 is as follows:

	Unaudited			Total HK\$'000
	Mobile data solution business HK\$'000	Property development HK\$'000	Property investment HK\$'000	
Turnover	14,255	–	–	14,255
Segment results	(1,060)	(35)	(50)	(1,145)
Unallocated corporate expenses				(8,931)
Operating loss				(10,076)
Finance costs				(631)
Share of results of associates				(182)
Loss for the period				(10,889)
Segment assets	7,687	64,210	30,170	102,067
Interests in associates	9,332	24,514	–	33,846
Unallocated corporate assets				26,831
Total assets				162,744

The segment information for the six months ended 30 September 2010 is as follows:

	Unaudited						Total HK\$'000
	Hong Kong/ Macau HK\$'000	PRC HK\$'000	Sri Lanka HK\$'000	Singapore HK\$'000	Taiwan HK\$'000	Others* HK\$'000	
Turnover	9,558	445	149	190	64	81	10,487
Segment results	813	187	35	60	(547)	65	613
Unallocated costs							(2,515)
Operating loss							(1,902)
Share of profit of an associate							475
Loss before taxation							(1,427)
Taxation							(47)
Loss for the period							(1,474)
Segment assets	5,916	1,242	–	–	158	–	7,316
Interest in an associate							9,250
Unallocated assets							14,090
Total assets							30,656

* Others represent turnover generated from Australia and Malaysia.

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

3. Taxation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from Cayman Islands income tax. Subsidiaries incorporated in the British Virgin Islands are exempted companies with limited liability under the Companies Law of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

No provision for Hong Kong profits tax is made in the financial statements as the Group has no estimated assessable profits for the period (2010: Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Unaudited			
	Three months ended 30 September		Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Current tax				
– Hong Kong profits tax	(19)	–	–	–
– Overseas tax	–	47	–	47
Taxation charge	(19)	47	–	47

4. Loss per share

(a) Basic loss per share

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

	Unaudited			
	Three months ended 30 September		Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Loss for the period attributable to equity holders of the Company	(5,044)	(174)	(10,763)	(1,358)
Weighted average number of ordinary shares in issue during the period	1,177,319,639	550,682,032	958,251,381	548,959,422
Basic loss per share	(0.429) cents	(0.032) cents	(1.123) cents	(0.247) cents

The weighted average number of ordinary shares in issue during the three months and six months ended 30 September 2010 used in the basic loss per share calculation has been restated to reflect the changes in the number of ordinary shares as a result of the open offer in June 2011.

(b) Diluted earnings per share

No diluted loss per share has been calculated as the conversion of the Company's outstanding share options, convertible bonds and warrants could result in a decrease in the loss per share.

5. Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2011 (2010: Nil).

6. Interests in associates

	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Share of net assets	27,469	2,878
Goodwill	5,513	5,513
	32,982	8,391
Due from an associate	864	968
	33,846	9,359

- (a) Except for a loan amount of HK\$250,000 (31 March 2011: HK\$250,000) which is charged at 5% per annum and due on 31 December 2012 and a loan amount of HK\$600,000 (31 March 2011: Nil) which is charged at 5% per annum and due on 5 July 2012, the remaining balance due from the associate is unsecured, interest free and has no fixed term of repayment. It is neither past due nor impaired.

Details of the Group's associates, all of which are unlisted entities, are as follows:

Name	Place of registration and operation	Proportion of nominal value of issued capital held by the Group indirectly		Proportion of voting power held		Principal activity
		30 September	31 March	30 September	31 March	
		2011	2011	2011	2011	
廣州流之動資訊技術 有限公司	PRC	43.3%	43.3%	43.3%	43.3%	development and provision of mobile data solutions and related services
陽東富力房地產發展 有限公司	PRC	25%	–	25%	–	Property development

The summarised financial information in respect of the Group's associates is set out below:

	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Total assets	220,637	7,851
Total liabilities	(112,372)	(1,205)
Net assets	108,265	6,646
Group's share of associates' net assets	27,469	2,878
Revenue	7,709	11,884
(Loss)/profit for the period	(859)	855
Group's share of results of associates for the period	(182)	370

7. Trade and other receivables

	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Trade receivables	2,831	3,566
Less: allowance for impairment of bad and doubtful debts	(816)	(356)
	2,015	3,210
Prepayments, other receivables and deposits	1,337	1,228
	3,352	4,438

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

	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Less than 30 days	1,758	2,241
31 to 60 days	131	969
61 to 90 days	25	–
Over 90 days	101	–
	2,015	3,210

8. Convertible bonds

	HK\$'000
Value of the convertible bonds issued	30,962
Equity component	(9,356)
Derivative financial instrument	(1,123)
Derivative financial instrument	6,450
Liability component on initial recognition	26,933
Interest expenses	631
Liability component at 30 September 2011	27,564

Convertible bonds with aggregate principal amount of HK\$33,000,000 at zero coupon interest were issued on 3 June 2011 to Mr. Poon Sum and Mr. Poon Sau Tin (the “Bondholders”), each being a connected person, for a term of 3 years. The Bondholders may convert the whole or part (in multiples of HK\$1,000,000) of the principal amount of the convertible bonds into conversion shares at initial conversion price of HK\$0.242, which is subject to adjustments, from the date of issue of the convertible bonds up to the maturity date. As at 20 June 2011, the conversion price was adjusted to HK\$0.163 as a result of completion of open offer. Details of the adjustment are set out in the Company’s announcements dated 17 June 2011 and 5 August 2011.

The Company may at any time before the maturity date redeem the convertible bonds (in whole or in part) at 100% of the principal amount of convertible bonds.

The Bondholders may at any time after the first anniversary of the date of issue of the convertible bonds to the second anniversary of the date of issue of the convertible bonds require the Company to redeem the convertible bonds in the aggregate principal amount of not more than HK\$16,500,000 (in whole or in part) at 100% of the principal amount of convertible bonds.

The Bondholders may at any time after the second anniversary of the date of issue of the convertible bonds to the third anniversary of the date of issue of the convertible bonds require the Company to redeem the convertible bonds (in whole or in part) at 100% of the principal amount of convertible bonds.

Further details of the principal terms and conditions regarding the issue of convertible bonds during the period under review have been set out in the circular of the Company dated 29 April 2011.

9. Share capital

	Number of shares		Nominal value	
	Unaudited 30 September 2011	Audited 31 March 2011	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
<i>Authorised:</i>				
At beginning and end of the period/year				
Ordinary shares of US\$0.01 each	2,000,000,000	2,000,000,000	156,000	156,000
<i>Issued and fully paid:</i>				
At beginning of the period/year				
Ordinary shares of US\$0.01 each	588,567,428	473,411,363	45,959	36,977
Shares issued upon exercise of share options	1,000,000	25,156,065	78	1,962
Placing of new shares	–	90,000,000	–	7,020
Shares issued upon open offer	588,567,428	–	45,908	–
At end of the period/year				
Ordinary shares of US\$0.01 each	1,178,134,856	588,567,428	91,945	45,959

10. Trade and other payables

	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Trade payables	1,709	1,816
Accrued expenses	1,815	3,270
Other payables	11,140	1,482
	14,664	6,568

The ageing analysis of the trade payables is as follows:

	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Less than 30 days	544	528
31 to 60 days	53	444
61 to 90 days	179	180
Over 90 days	933	664
	1,709	1,816

11. Commitments

The Group leases various office premises under operating lease arrangement, with lease negotiated for original terms of two years. None of the leases includes contingent rentals.

The Group had the total future minimum lease payments under this non-cancellable operating leases falling due as follows:

	Unaudited 30 September 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Within one year	1,993	1,993
In the second to fifth years, inclusive	452	1,448
	2,445	3,441

12. Transactions with related parties

The Group's key management compensation for the six months ended 30 September 2011 amounted to approximately HK\$2,362,000 (2010: HK\$1,964,000).

Save as disclosed above, the Group also entered into the connected transaction as disclosed in paragraph (a) of the section titled "Material Acquisitions and Disposals".

13. Event after the reporting period

On 28 September 2011, Golden Kingtex Limited ("Golden Kingtex"), a wholly owned subsidiary of the Company, Mr. Ke Lizhi ("Mr. Ke") and Jun Feng Enterprise (HK) Limited ("Jun Feng") entered into an agreement pursuant to which Golden Kingtex has agreed to subscribe for and Jun Feng has agreed to allot and issue to Golden Kingtex 10,000,000 new shares (the "Subscription Shares") for a consideration of HK\$10,000,000 (the "Subscription") and Golden Kingtex has agreed to purchase and Mr. Ke has agreed to sell 10,000,000 shares for a consideration of HK\$10,000,000, which shall be satisfied by Golden Kingtex by procuring the Company to issue convertible bonds (the "Acquisition"). Immediately after completion of the Subscription and the Acquisition, Golden Kingtex will hold 20,000,000 shares of Jun Feng, representing 33.33% of the issued share capital of Jun Feng as enlarged by the allotment and issue of the Subscription Shares. The Group has paid HK\$2,000,000 as deposit for the Subscription as at 30 September 2011. The transaction had been completed on 24 October 2011. Details had been set out in the Company's announcement dated 28 September 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 September 2011, the Group recorded an unaudited turnover of approximately HK\$14,255,000, representing an increase of approximately 35.9% as compared with approximately HK\$10,487,000 for the corresponding period in 2010. The increase in revenue was mainly attributable to our diversification into the apps development business. However, due to the incurrence of non-recurring professional fees for the acquisitions of subsidiaries in the current period (details of the acquisitions are shown in the section titled “Material Acquisitions and Disposals”), the charging of fair value of the share-based payments to the directors and employees of the Group arising from newly granted share options under the share option scheme of the Company and the higher employment and running costs, the Group recorded a greater loss of approximately HK\$10,889,000 as compared with that of approximately HK\$1,474,000 for the last year.

Business Review

Products and Services

The Group has focused on application developments and mobile advertising with the growing market on smart phones. However, this business is increasingly labor intensive and escalating salary because of shortage in programmers in the mobile area. As a result, the Group is also exploring new business opportunities to complement the mobile business.

In the mobile application business, the Group has worked with 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. The mobile entertainment segment is increasingly internet-bounded. Apart from diversifying 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.

To diversify our business focus, the Group has completed its acquisition of two property development projects in Mainland China. The property development projects are located in Yangjiang, Guangdong Province, the People’s Republic of China (the “PRC”). The Group has also completed its acquisition of a liquid crystal display modules manufacturer in the PRC. We believe the Group will be benefited from the enhancement and diversification of business focuses into these new companies.

Sales and Marketing Activities

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.

Prospects

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.

Since the completion of the acquisition of the two property development projects in Yangjiang on 3 June 2011, both projects have been making progress steadily. In one of the property development projects, construction works are still continuing, with works maintain to focus mostly on individual houses and villas as there has been a limited supply in this particular segment of the property market in the PRC. The prospect for this project remains to be optimistic given the location of the development site, both the S32 Xibu Yanhai Expressway (Yangjiang/Dongcheng Exit) and the Yangjiang Shizhengxie are situated within 5km radius to the development. At only 10km distance from Yangjiang city centre to one of the nicest seaside/beach areas on the mainland China long shoreline (excluding islands in the China map), the area traditionally enjoys local tourism and all the benefits of a seaside town. The recent rise of China's economy leads a bloom on tourism in the area attracting locals and even holiday-goers from the more northern provinces of China. The town also benefited from the local specialty of knife-ware manufacturing with an exhibition being held during the October month this year, this most certainly raised the town name to international levels by drawing knife-ware manufacturers from all over the world including Germany, Russia and US attending the exhibition. In conjunction with this opportunity, the Group, together with its partners in the associated company, has taken this advantage to spread the project's focal point of tailored residential to upper class living.

In our other property development project, initial planning is continuously being carried out so as to be in line with the overall town planning of Yangjiang. We are currently in the stage of designing and structuring the area to maximise the usage of the land and creating the most harmonious living area for our potential customers. The business angle for this project maintains to be similar of the above-mentioned one, with the upper middle class and young professionals as our target group of customers. In considering the bloom of China's economy despite the most difficult times and the ever stronger development of local etiquette, being the trend of individuals returning to their respective hometowns in search of their roots and regroup of families due to traditional values. We are currently in the process of considering a series of smaller villas to cater this particular market, but maintaining the same higher living standard for the harmonisation of the whole development.

The introduction of various PRC government policies earlier in the year such as further interest rate hike, additional down payments and home purchase restriction hampered the property market to prosper for the first half of the year. Nevertheless, the continuous growth of population, the basic needs for home ownership, gentle increase of property prices due to inflation, and demand against supply are factual and should contribute to the off-set of the negative factors mentioned above. So far, these factors so far have provided a supporting level for our particular market sector and with the addition of the recent minor relaxation of Chinese banking policies in August together with the combination of our local knowledge and understanding of what our targeted customer groups need, we expect the market outlook continues to be optimistic in the near future.

Both of the property development projects will be developed and still on track to be self-sustain with part of the profits to be reinvested to advance the projects themselves until completion. The Group will continue to endeavour a strict monitoring process on the costs and returns of our two property development projects.

On the other hand, the Group has been identifying further investment opportunities in order to diversify its existing business and maximise the return of the Shareholders. On 28 September, 2011, the Group has entered into an agreement to acquire 33.3% of a liquid crystal display manufacturing business, and with an option to increase our shareholdings to 51% upon the fulfillment of certain conditions in the future. For details of the above-mentioned acquisition, please refer to the Company's announcements dated 19 July, 2011, 28 September, 2011 and 30 September 2011.

The Directors consider that the above acquisition represents a good opportunity for the Group to tap into the liquid crystal display industry and also allow it to diversify its existing businesses. The Group will also identify and invest on possible internet and communication services from time to time, with the possible internal and outside source of fund, where it is available.

Liquidity and Financial Resources

The Group financed its operations with internally generated cash flow as well as the cash flow generated from open offer during the period. As at 30 September 2011, the Group had net current assets of approximately HK\$47,937,000 (31 March 2011: HK\$22,740,000), of which approximately HK\$22,118,000 (31 March 2011: HK\$24,883,000) were bank balances and cash. The Group's other current assets recorded at 30 September 2011 mainly comprised approximately HK\$3,352,000 (31 March 2011: HK\$4,438,000) in trade receivables, other receivables, deposits and prepayments, which decreased by 24.5% when compared with previous period. Current liabilities of the Group increased by 140.1% amounting to approximately HK\$15,800,000 (31 March 2011: HK\$6,581,000). The Group has no committed borrowing facilities throughout the period under review.

Gearing Ratio

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.44 as at 30 September 2011 (31 March 2011: 0.16).

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.

Capital Structure

On 20 June 2011, 588,567,428 new shares of US\$0.01 each were issued by way of open offer at a subscription price of HK\$0.1 per share. Details were disclosed in the Company's announcement dated 4 April 2011, the circular dated 4 May 2011 and the prospectus dated 25 May 2011.

On 14 September 2011, 1,000,000 new shares of US\$0.01 each were issued and allotted upon exercise of share options granted by the Company.

Save for the above, there was no change in the capital structure of the Group during the period under review.

Material Acquisitions and Disposals

- (a) On 3 June 2011, the Group completed the acquisition of the entire issued shares in Best Team International Investment Limited ("Best Team") from Mr. Poon Sum and Mr. Poon Sau Tin (both are connected persons of the Company) for a total consideration of HK\$65,000,000. Best Team is an investment holding company and has 100% equity interest in a subsidiary established in the PRC which is engaged in investment holding, through which, indirectly holds 66.66% equity interest in a subsidiary and 25% equity interest in an associate, both were established in the PRC and are principally engaged in property development in the PRC. Convertible bonds in the principal amount of HK\$33,000,000 and 100,000,000 warrants at issue price of HK\$0.02 per warrant were issued by the Company to Mr. Poon Sum and Mr. Poon Sau Tin as part of the consideration. Details of the transaction were set out in the Company's announcement dated 15 February 2011 and the circular dated 29 April 2011.
- (b) On 31 August 2011, the Group completed the acquisition of the entire issued shares in Star Global Industries Limited ("Star Global") and a shareholder loan amounting to HK\$2,731,179 from an independent third party for a total cash consideration of HK\$2,731,180. On the date of acquisition, Star Global is committed to purchase a residential property under a formal agreement entered into between Star Global and the vendor of the property for the sale and purchase of the property. The consideration for the sale and purchase of the property is HK\$28,800,000. Completion of the formal agreement took place on 19 September 2011. Details of the transaction were set out in the Company's announcement dated 31 August 2011.

Save as disclosed, the Group did not make any material acquisitions or disposals during the six-month period.

Charges on Group's Assets

As at 30 September 2011, the Group did not have any charges on the Group's assets.

Contingent Liabilities, Capital Commitments and Significant Investments

As at 30 September 2011, the Group did not have any contingent liabilities, capital commitments and significant investments other than the aforesaid property as disclosed in paragraph (b) of the section titled "Material Acquisitions and Disposals".

Employee Information

As at 30 September 2011, the Group had approximately 70 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\$11,400,000 for the six months ended 30 September 2011 (2010: HK\$5,429,000). Share options and bonuses are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group.

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

As at 30 September 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 position in shares – interests in shares

Name of Directors	Capacity	Number of shares held	Approximate percentage of issued share capital
Dr. Chan Chung	Beneficial owner	38,448,904	3.26%
Mr. Chan Wai Kwong, Peter	Beneficial owner	216,072	0.02%
		<u>38,664,976</u>	<u>3.28%</u>

Long position in underlying shares of equity derivatives – interests in options of the Company

Name of Directors	Capacity	Date of grant	Number of underlying shares	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
Dr. Chan Chung (Note)	Beneficial owner	29 June 2011	3,000,000	0.255%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Chan Wai Kwong, Peter (Note)	Beneficial owner	29 June 2011	3,000,000	0.255%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Siu King Nin, Peter (Note)	Beneficial owner	29 June 2011	3,000,000	0.255%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Choi Ho Yan (Note)	Beneficial owner	29 June 2011	3,000,000	0.255%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. So Haw, Herman (Note)	Beneficial owner	29 June 2011	1,000,000	0.085%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Chiu Wai Piu (Note)	Beneficial owner	29 June 2011	500,000	0.042%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Cheung Kwan Hung, Anthony (Note)	Beneficial owner	29 June 2011	500,000	0.042%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Heung Chee Hang, Eric (Note)	Beneficial owner	29 June 2011	500,000	0.042%	29 June 2011 – 28 June 2021	1.00	0.140
			<u>14,500,000</u>	<u>1.231%</u>			

Note: All of the above share options to Directors were granted under the Share Option Scheme of the Company and are physically settled equity derivatives.

Save as disclosed above, as at the date of this report, none of the Directors and chief executive of the Company has or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 September 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 position in shares – interests in shares

Name of substantial shareholders	Capacity	Number of shares held	Approximate percentage of the issued share capital
China Oil Resources Group Limited	Beneficial owner	355,571,722	30.18%
PetroAsian Energy Holdings Limited ("PetroAsian Energy")	(Note 1)	355,571,722	30.18%
Vodatel Information Limited	Beneficial owner	155,419,392	13.19%
Vodatel Networks Holdings Limited ("Vodatel")	(Note 2)	155,419,392	13.19%
			<hr/> 43.37% <hr/>

Long position in underlying shares of equity derivatives

Name of substantial shareholders	Capacity	Number of shares held	Approximate percentage of the issued share capital
Mr. Poon Sum	Beneficial owner	175,226,994 (Note 3)	14.87%
Mr. Poon Sau Tin	Beneficial owner	175,226,993 (Note 3)	14.87%
			29.74%

Notes:

1. PetroAsian Energy is deemed, by virtue of the SFO, to be interested in the 355,571,722 shares held by China Oil Resources Group Limited as China Oil Resources Group Limited is a direct wholly-owned subsidiary of PetroAsian Energy. PetroAsian Energy is a company incorporated in the Cayman Islands whose shares are listed on the Main Board (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 355,571,722 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 annual report of PetroAsian Energy, as at 31 March 2011, no person was interested or deemed to be interested in more than one-third of the then issued share capital of PetroAsian Energy.
2. Vodatel is deemed, by virtue of the SFO, to be interested in the 155,419,392 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 155,419,392 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 interim report of Vodatel, as at 30 June 2011, 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.
3. These underlying shares represent the new ordinary shares to be issued upon the conversion of convertible bonds by Mr. Poon Sum and Mr. Poon Sau Tin with aggregate principal amount of HK\$33,000,000 at adjusted conversion price of HK\$0.163 per conversion share and the exercise of warrants by Mr. Poon Sum and Mr. Poon Sau Tin with aggregate amount of HK\$22,200,000 at adjusted exercise price of HK\$0.150 per share.

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 30 September 2011.

SHARE OPTIONS RULES

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

Pursuant to the Share Option Scheme and 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 Share Option Scheme and the Pre-IPO Share Option Scheme outstanding as at 30 September 2011 are set out below:

Pre-IPO Share Option Scheme

		Number of Share Options				Outstanding as at 30 September 2011	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
Name	Date of grant	Outstanding as at 1 April 2011	Granted during the period under review	Exercised during the period under review	Lapsed during the period under review					
Other Participants										
Employees in aggregate (Note)	9 February 2007	10,000	2,565	–	–	12,565	0.001%	9 February 2007 – 8 February 2017	1.00	0.078 (Adjusted)
	12 February 2008	20,000	5,130	–	–	25,130	0.002%	12 February 2008 – 11 February 2018	1.00	0.152 (Adjusted)
Business Consultant										
Young Antony, Michael	27 March 2003	300,000	76,952	–	–	376,952	0.032%	9 May 2003 – 8 May 2013	1.00	0.091 (Adjusted)
		330,000	84,647	–	–	414,647	0.035%			

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

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

Share Option Scheme

Name	Date of grant	Number of Share Options				Outstanding as at 30 September 2011	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
		Outstanding as at 1 April 2011	Granted during the period under review	Exercised during the period under review	Lapsed during the period under review					
Executive Directors										
Dr. Chan Chung	29 June 2011	–	3,000,000	–	–	3,000,000	0.255%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Chan Wai Kwong, Peter	29 June 2011	–	3,000,000	–	–	3,000,000	0.255%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Siu King Nin, Peter	29 June 2011	–	3,000,000	–	–	3,000,000	0.255%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Choi Ho Yan	29 June 2011	–	3,000,000	–	–	3,000,000	0.255%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. So Haw, Herman	29 June 2011	–	1,000,000	–	–	1,000,000	0.085%	29 June 2011 – 28 June 2021	1.00	0.140
Independent Non-executive Directors										
Mr. Chiu Wai Piu	29 June 2011	–	500,000	–	–	500,000	0.042%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Cheung Kwan Hung, Anthony	29 June 2011	–	500,000	–	–	500,000	0.042%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Heung Chee Hang, Eric	29 June 2011	–	500,000	–	–	500,000	0.042%	29 June 2011 – 28 June 2021	1.00	0.140
Other Participants										
Employees in aggregate (Note)	17 February 2010	250,000	64,126	–	–	314,126	0.027%	17 February 2010 – 16 February 2020	1.00	0.107 (Adjusted)
	29 June 2011	–	5,000,000	(1,000,000)	–	4,000,000	0.340%	29 June 2011 – 28 June 2021	1.00	0.140
		250,000	19,564,126	(1,000,000)	–	18,814,126	1.598%			

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

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

CORPORATE GOVERNANCE CODE COMPLIANCE

During the period under review, the Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules except for the deviations from code provisions A2.1 and A4.2 as detailed in the Corporate Governance Report included in the 2011 Annual Report that the roles of chairman and chief executive officer are performed by the same individual, and that the Chairman (who is also the founder of the Company) is not subject to retirement by rotation.

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 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.

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.

DIRECTORS' SECURITIES TRANSACTIONS

During the period under review, the Company has complied with the GEM Listing Rules 5.48 to 5.67 regarding Directors' securities transactions and all Directors have complied with the required standard of dealings set out therein.

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. The audit committee has reviewed with the management this unaudited interim report for the six months ended 30 September 2011 and has provided advice and comments thereon.

By order of the Board
Chan Chung
Chairman

Hong Kong, 11 November 2011

As at the date of this report, the Board comprises five executive Directors, namely, Dr. Chan Chung (Chairman), Mr. Chan Wai Kwong, Peter, Mr. Siu King Nin, Peter, Mr. Choi Ho Yan and Mr. So Haw, Herman; and three independent non-executive Directors, namely, Mr. Chiu Wai Piu, Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric.