

3rd

quarterly report 2011



Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8266

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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 nine months ended 31 December 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 nine months ended 31 December 2011

		Three months ended 31 December		Nine months ended 31 December	
	Notes	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Turnover		9,152	6,212	23,407	16,698
Other income and gains, net		17	1	31	436
Telecom operators and content providers costs		(2,147)	(2,643)	(7,130)	(7,681)
Employment costs		(3,940)	(2,397)	(12,716)	(6,681)
Research and development expenses		(1,729)	(625)	(4,353)	(1,770)
Depreciation of property, plant and equipment		(131)	(65)	(347)	(179)
Allowance for impairment of bad and doubtful debts		(1,118)	–	(2,294)	–
Other operating expenses		(3,094)	(1,287)	(9,664)	(3,529)
Operating loss		(2,990)	(804)	(13,066)	(2,706)
Finance costs		(589)	–	(1,220)	–
Share of results of associates		468	50	286	525
Loss before taxation		(3,111)	(754)	(14,000)	(2,181)
Taxation	2	–	(7)	–	(54)
Loss for the period		(3,111)	(761)	(14,000)	(2,235)
Attributable to:					
Equity holders of the Company		(3,203)	(868)	(13,966)	(2,225)
Non-controlling interests		92	107	(34)	(10)
		(3,111)	(761)	(14,000)	(2,235)
Loss per share for loss attributable to the equity holders of the Company during the period	3				
– Basic (HK cent)		(0.272)	(0.146)	(1.353)	(0.395)
– Diluted (HK cent)		N/A	N/A	N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2011

	Three months ended 31 December		Nine months ended 31 December	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Loss for the period	(3,111)	(761)	(14,000)	(2,235)
Other comprehensive income for the period:				
Exchange difference arising on translation of financial statements of foreign operations	30	(31)	286	13
Total comprehensive loss for the period	(3,081)	(792)	(13,714)	(2,222)
Attributable to:				
Equity holders of the Company	(3,181)	(899)	(13,791)	(2,212)
Non-controlling interests	100	107	77	(10)
Total comprehensive loss for the period	(3,081)	(792)	(13,714)	(2,222)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2011

	Unaudited 31 December 2011 HK\$'000	Audited 31 March 2011 HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	2,086	755
Investment property	30,143	—
Goodwill	32,251	—
Interests in associates	56,428	9,359
Investment deposit	—	9,500
Total non-current assets	120,908	19,614
Current assets		
Properties under development	31,858	—
Trade and other receivables	5,555	4,438
Derivative financial instrument	9,850	—
Cash and deposits with banks	11,365	24,883
Total current assets	58,628	29,321
Total assets	179,536	48,935
EQUITY		
Capital and reserves attributable to the equity holders of the Company		
Share capital	91,945	45,959
Reserves	18,966	(3,643)
	110,911	42,316
Non-controlling interests	6,419	38
Total equity	117,330	42,354
LIABILITIES		
Non-current liabilities		
Convertible bonds	35,950	—
Finance lease liabilities	797	—
Deferred tax liabilities	6,621	—
Total non-current liabilities	43,368	—

	Unaudited 31 December 2011 HK\$'000	Audited 31 March 2011 HK\$'000
Current liabilities		
Trade and other payables	17,408	6,568
Derivative financial instrument	1,123	–
Finance lease liabilities	294	–
Current tax payables	13	13
	<hr/>	<hr/>
Total current liabilities	18,838	6,581
	<hr/>	<hr/>
Total liabilities	62,206	6,581
	<hr/>	<hr/>
Total equity and liabilities	179,536	48,935
	<hr/>	<hr/>
Net current assets	39,790	22,740
	<hr/>	<hr/>
Total assets less current liabilities	160,698	42,354
	<hr/>	<hr/>

For the nine months ended 31 December 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		
	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	-	-	26,885
Share options lapsed during the period	-	-	-	-	-	(1)	-	-	-
Issue of new shares upon exercise of share options	7,483	11,116	-	-	-	-	-	-	18,599
Transaction costs attributable to issue of new shares	-	(532)	-	-	-	-	-	-	(532)
Recognition of share option benefits at fair value	-	-	-	-	-	111	-	-	111
Transfer to share premium on exercise of share options	-	134	-	-	-	(134)	-	-	-
Total comprehensive (loss)/income for the period	-	-	-	-	13	-	-	(10)	(2,222)
Balance at 31 December 2010	44,460	46,300	16,375	2,943	585	532	-	(10)	42,841
Balance at 1 April 2011	45,959	47,759	16,375	2,943	581	11	-	38	42,354
Issue of warrants on acquisition of interests in subsidiary	-	-	-	-	-	-	-	-	-
Issue of convertible bonds on acquisition of interests in subsidiary and associates	-	-	-	-	-	-	-	-	-
Issue of shares upon open offer	45,908	12,949	-	-	-	-	17,056	-	17,056
Issue of shares upon exercise of share options	-	-	-	-	-	-	-	-	58,857
Transaction costs attributable to issue of new shares	78	62	-	-	-	-	-	-	140
Acquisition of subsidiary	-	(2,335)	-	-	-	-	-	-	(2,335)
Recognition of share option benefits at fair value	-	-	-	-	-	-	-	6,304	6,304
Transfer to share premium on exercise of share options	-	65	-	-	-	1,268	-	-	1,268
Total comprehensive (loss)/income for the period	-	-	-	-	175	(65)	-	-	-
Balance at 31 December 2011	91,945	58,500	16,375	2,943	756	1,214	17,056	77	117,330

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED RESULTS

1. Basis of preparation

The unaudited condensed consolidated results for the nine months ended 31 December 2011 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collectively term include all applicable individually HKFRS, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong 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 condensed consolidated results 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 results are consistent with those used in the annual financial statements for the year ended 31 March 2011.

2. 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	–	–	–	–
– Overseas tax	–	7	–	54
	<u>–</u>	<u>7</u>	<u>–</u>	<u>54</u>
Taxation charge	<u>–</u>	<u>7</u>	<u>–</u>	<u>54</u>

3. 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 31 December		Nine months ended 31 December	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Loss for the period attributable to equity holders of the Company	(3,203)	(868)	(13,966)	(2,225)
Weighted average number of ordinary shares in issue during the period	1,178,134,856	593,444,936	1,031,812,398	563,841,849
Basic loss per share	(0.272) cents	(0.146) cents	(1.353) cents	(0.395) cents

The weighted average number of ordinary shares in issue during the three months and nine months ended 31 December 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.

4. Dividend

The board does not recommend the payment of any dividend for the nine months ended 31 December 2011 (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months ended 31 December 2011, the Group reported a turnover of approximately HK\$23,407,000 (2010: approximately HK\$16,698,000), representing an increase of approximately 40.2%. The increase in revenue was mainly attributable to our diversification into the apps development business. The Group did not derive any turnover from the property development and property investment business during the period.

The Group's employment costs and research and development expenses for the nine months ended 31 December 2011 increased by approximately 90.3% and 145.9% respectively to approximately HK\$12,716,000 and HK\$4,353,000 respectively (2010: approximately HK\$6,681,000 and HK\$1,770,000 respectively) as compared with that for the same period of previous year. The increase were mainly due to more programmers in the mobile area have been employed as a result of the diversification of the apps development business and the employment of more staffs to cope with new business opportunities as a consequence of the acquisitions of subsidiaries and associates during the period.

Allowances for impairment of bad and doubtful debts for the nine months ended 31 December 2011 amounted to approximately HK\$2,294,000, which represents provision for impaired trade receivables of approximately HK\$1,147,000 and provision for impaired receivables from an associate of HK\$1,147,000.

The Group's other operating expenses for the nine months ended 31 December 2011 increased by approximately 173.8% to approximately HK\$9,664,000 (2010: approximately HK\$3,529,000) as compared with that for the corresponding period in 2010. The increase in other operating expenses was mainly due to the incurrence of non-recurring professional fees for the acquisition of subsidiaries and associates, the charging of fair value of the share-based payments to the directors and employees of the Group arising from newly granted share options, the increase in rental expenses and other general running costs.

The Group's finance costs for the nine months ended 31 December 2011 was mainly attributable to the incurrence of imputed interests on convertible bonds of approximately HK\$1,217,000 and interest expenses for finance lease liabilities of approximately HK\$3,000.

As such, the loss attributable to the equity holders of the Company for the nine months ended 31 December 2011 was approximately HK\$13,966,000, representing an increase of approximately 527.7% from that of last year.

Business Review

Products and Services

The Group has in the past focusing on application developments and mobile advertising with the growing market on smart phones. Recently, the Group is also entering 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 Group is now deploying more resources into mobile application development to handle new clients. The Group has employed more professional staffs to provide intensive and creative developments to our clients.

To diversify our business focus, the Group has completed its acquisition of two property development projects located in Yangjiang, Guangdong Province, the People's Republic of China (the "PRC") and a residential property in Hong Kong. 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 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 economic crises and the Group will focus to expand more in this direction as more demands from various handset manufacturers.

Following the completion of the acquisition of the two property development projects in Yangjiang in June 2011, the projects continued to be making progress. Construction works remained ongoing in one of the property development projects. The project concentrated mostly on individual houses and villas with a focal point in upper class tailored residential living due to a limited supply in this particular segment of the property market in the local area. The prospect for this project remained to be optimistic given the location of the development site, as both the S32 Xibu Yanhai Expressway (Yangjiang/Dongcheng Exit) and the Yangjiang Shizhengxie situated within 5 km radius to the development area. Only 10 km distance from Yangjiang city centre to one of the nicest seaside/beach area on the PRC long shoreline (excluding islands in the PRC map), the area traditionally enjoyed local tourism and all the benefits of a seaside town. The rise of China's economy increased tourism in the area attracting locals and even holiday-goers from other provinces especially northern provinces of PRC. Every year local businesses strengthening from their specialty of knife-ware manufacturing hosted an exhibition with the support of local government during the October month, this raised the town's name to an international level by drawing knife-ware manufacturer from all over the world including Germany, Russia and US to attend the exhibition. In conjunction with this prospect, the Group, together with its partners in the associated company constantly reflected on possible upgrades to maintain the high level living of the development.

In our other property development project, preparation had been nonstop. Repeated liaison with Yangjiang town planning and attention paid to match the surrounding developments to maximise the land usage plus design and structuring amendments are underway. The objective maintained to craft the most harmonious living area for our potential customers with the upper middle class and young professionals remained to be our target group of customers. Supported by China's economy maintained growth during the recent difficult economic period plus 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. To cater for this particular market, there is a process of including a series of smaller villas but maintaining the same higher living standard for the harmonisation of the whole development.

The introduction of various PRC government policies last year such as further interest rate hike, additional down payments and home purchase restriction prevail the property market to fully prosper. Nevertheless the continued growth of population, the basic needs for home ownership, gentle increase of property prices due to inflation, and demand against supply were factual and contributed to off-set the negative factors mentioned above. So far, these factors have provided a supporting level for our particular market sector. Yet our local knowledge and understanding of what our targeted customer groups needs mean the outlook continues to be optimistic in the near term.

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.

Locally in Hong Kong, the Group acquired a residential property for investment purpose and forge part of the real estate investments arm.

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 with a view to the extent of the demands and applications of liquid crystal display. Such applications include, not only, general electrical appliances, but also, tablet computers with touch screens. Moreover, this also allows the Group to diversify its existing businesses.

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

As at 31 December 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 Director	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 <i>(Note)</i>	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 <i>(Note)</i>	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 <i>(Note)</i>	Beneficial owner	29 June 2011	3,000,000	0.255%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Choi Ho Yan <i>(Note)</i>	Beneficial owner	29 June 2011	3,000,000	0.255%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. So Haw, Herman <i>(Note)</i>	Beneficial owner	29 June 2011	1,000,000	0.085%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Chiu Wai Piu <i>(Note)</i>	Beneficial owner	29 June 2011	500,000	0.042%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Cheung Kwan Hung, Anthony <i>(Note)</i>	Beneficial owner	29 June 2011	500,000	0.042%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Heung Chee Hang, Eric <i>(Note)</i>	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 31 December 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%
			<hr/> 29.74% <hr/>

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 interim report of PetroAsian Energy, as at 30 September 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 31 December 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 31 December 2011 are set out below:

Pre-IPO Share Option Scheme

		Number of Share Options				Outstanding as at 31 December 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 <i>(Note)</i>	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 31 December 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 <i>(Note)</i>	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
		<u>250,000</u>	<u>19,564,126</u>	<u>(1,000,000)</u>	<u>–</u>	<u>18,814,126</u>	<u>1.598%</u>			

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

Save as disclosed above, no options pursuant to the Share Option Scheme have been exercised and cancelled during the 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 quarterly report for the nine months ended 31 December 2011 and has provided advice and comments thereon.

By order of the Board
Mobile Telecom Network (Holdings) Limited
Chan Chung
Chairman

Hong Kong, 10 February 2012

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.