First Quarterly Report 2012



Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE"STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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.

RESULTS

The board of Directors (the "Board") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred as the "Group") for the three months ended 30 June 2012, together with the unaudited comparative figures for the corresponding period in 2011 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June 2012

		2012	2011
	Note	HK\$'000	HK\$'000
Turnover		10,266	7,320
Other income		138	3
Telecom operators and content providers costs		(2,561)	(2,645)
Employment costs		(5,492)	(4,484)
Research and development expenses		(2,445)	(1,243)
Depreciation and amortisation		(205)	(105)
Other operating expenses		(9,939)	(4,356)
Loss from operations		(10,238)	(5,510)
Finance costs	2	(666)	(157)
Share of losses of associates		(853)	(21)
Loss before tax		(11,757)	(5,688)
Income tax expense	3		(19)
Loss for the period		(11,757)	(5,707)
Loss for the period attributable to:			
Owners of the Company		(11,691)	(5,719)
Non-controlling interests		(66)	12
		(11,757)	(5,707)
Loss per share (HK cent)	4		
Basic	•	(0.979)	(0.866)
Diluted		N/A	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2012

	2012 HK\$'000	2011 HK\$'000
Loss for the period	(11,757)	(5,707)
Other comprehensive (loss)/income, net of tax		
Exchange difference on translating foreign operations	(14)	76
Total comprehensive loss for the period	(11,771)	(5,631)
Total comprehensive loss		
for the period attributable to:		
Owners of the Company	(11,705)	(5,665)
Non-controlling interests	(66)	34
Total comprehensive loss for the period	(11,771)	(5,631)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

				Attrib	utable to own	Attributable to owners of the Company	ıny					
	Share capital HK\$'000	Share premium account HK\$'000	Contributed surplus	Capital redemption reserve HK\$'000	Foreign currency translation reserve	Share-based payments reserve	Warrant reserve HK\$'000	Convertible bonds reserve	Accumulated losses	Total HK\$'000	Non- controlling interests HK\$*000	Total equity HK\$'000
At 1 April 2011 Issue of warrants on acquisition of subsidiaries	45,959	47,759	16,375	2,943	581	= 1	7,400	1 1	(71,312)	42,316 7,400	86 I	42,354
issue of convertible bonds on acquisition of subsidiaries and associates Shares issued upon open offer	45,908	12,949	1 1	1 1	1 1	1 1	1 1	4,029	1 1	4,029	1 1	4,029 58,857
Iransaction costs attributable to issue or new shares Acquisition of subsidiaries	1 1	(2,278)	1 1	1 1	1 1	1 1	1 1	1 1	1 1	(2,278)	6,304	(2,278) 6,304
Recognition of share option benefits at fair value Total comprehensive (loss)/income for the period	1 1				54	1,268			(5,719)	1,268 (5,665)	34	1,268
At 30 June 2011	91,867	58,430	16,375	2,943	635	1,279	7,400	4,029	(77,031)	105,927	6,376	112,303
At 1 April 2012 Conversion of convertible bonds Total comprehensive loss for the period	91,946 3,765	58,499 7,365	16,375	2,943	1,131	1,213	7,400	17,056 (5,390)	(97,974)	98,589 5,740 (11,705)	18,306	116,895 5,740 (11,771)
At 30 June 2012	95,711	65,864	16,375	2,943	1,117	1,213	7,400	11,666	(109,665)	92,624	18,240	110,864

Notes:

1. Basis of preparation

The unaudited condensed consolidated results have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the applicable disclosure required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange. The unaudited condensed consolidated results have been prepared under the historical cost convention except for certain financial instruments, which are measured at fair values.

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 2012.

2. Finance costs

	2012 HK\$'000	2011 HK\$'000
Effective interest expenses on liability component of convertible bonds	606	157
Finance leases charges	7	-
Interest expense on bank borrowings	53	
	666	157

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 were exempted companies with limited liability under the Companies Law of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income tax.

No provision for Hong Kong profits tax is made as the Group has no estimated assessable profits for the period (2011: 16.5%).

		ree months 30 June
	2012 HK\$'000	2011 HK\$'000
Current tax- Hong Kong profits tax Provision for the period		19

4. Loss per share

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of approximately HK\$11,691,000 (2011: approximately HK\$5,719,000) and the weighted average number of ordinary shares of 1,194,580,479 (2011: 659,712,941) in issue during the period.

(b) Diluted loss per share

As the exercise of the Group's outstanding convertible bonds, warrants and outstanding options for the three months ended 30 June 2012 and 2011 would be anti-dilutive, no diluted loss per share was presented for the three months ended 30 June 2012 and 30 June 2011.

Dividends

The Directors does not recommend the payment of an interim dividend for the three months ended 30 June 2012 (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the three months ended 30 June 2012, the Group recorded an unaudited turnover of approximately HK\$10,266,000 (2011: approximately HK\$7,320,000), representing an increase of 40%. This was mainly due to the increase in revenue of mobile data solution business.

The loss for the three months ended 30 June 2012 of the Group increase by 106% from approximately HK\$5,707,000 for 2011 to approximately HK\$11,757,000 for 2012. This was mainly due to the recognition of the loss on conversion of convertible bonds, the recognition of fair value loss on options of convertible bonds and the increase in interest expenses on the liability component of convertible bonds recognised in the current period.

The loss attributable to owners of the Company for the three months ended 30 June 2012 was approximately HK\$11,691,000 (2011: approximately HK\$5,719,000), representing an increase of 104%.

Business review

Products and Services

The Group continues on mobile value added services ("MVAS"), such as Soccer Express which uses the unique GloDan (Global Data Network) network connections to enhance application developments and mobile advertising as the market remains dominated by the iPhone and other smartphones. At the same time, the Group carries on the Games and related entertainment application developments like Bearadise 2, Sooff and Mobilesurf service. The latter is a movie mobile application connecting major cinema line ticketing services with 6 mobile operators in HK to complement the mobile business. Regional corporate consumer clients is also another focus area, examples are mobile banking application for China Construction Bank Asia and content management and delivery system for Hong Kong Jockey Club.

To diversify our business focus, the Group has been exploring into other area of business opportunities in the People's Republic of China (the "PRC") by taking part in a project to provide residential units in capitalising on the boom of the forever increasing living standard of the Mainland Chinese population and in Hong Kong by involving in residential units leasing, the beginning of an attempt to develop into property management.

Another focus is the manufacturing of liquid crystal display (the "LCD") and touch-screen panels, targeting the top tier market in the PRC and perhaps South East Asia with functional and low costly products. Capture the ever popularizing computer and related technology market with a healthy profit margin.

These identified business focuses should consolidate the foundation of the Group.

Sales and Marketing Activities

Customers are increasingly demanding more on sophistication, usability, in-app experience, high quality services and enterprise applications. As a result, the Group has focused more significantly on mobile application development specifically targeting promotions to individuals providing an almost tailored service, especially to the youth and sport fans customer segments. Several alliances with strategic media partners further enables to leverage this expertise to explore therefore enhance our media revenue.

In the PRC residential real estate development the project is still in its juvenile stage and further planning is required. As for the residential leasing in Hong Kong, the property has been successfully let out providing the company with asset foundation and stable return.

In the LCD and touch-screen panel business, the operation is continuously making a break through after forming partnerships with the chip manufacturers to provide them with tailored services. The pack provided a trusted name for the unit and we already see a steady increase of orders.

Prospect

Since Hong Kong is affected by the worldwide financial crisis, the Group has been concentrating on its investment in human resources particularly in strengthening key businesses in targeted markets.

Flourished and popular, the competitive mobile entertainment market is slowly dominated by large corporations creating new divisions to enter this market in style. The Group will continue to seek new opportunities and diversify its dependence on mobile service both in premium services and advertising model associated with existing channels, mobile operators business and mobile application. Such as the expansion of content aggregation business to include IP rights management for our business partners. In new markets within South East Asia, the Group will act as a master content aggregator on behalf of the local operators and define business to maximise revenue whilst minimise resources allocation. The Group shall also extend more business relationships with WiFi service providers and handset/tablet manufacturers as there are increasingly more devices which support WiFi connection.

The Group is working closely with mobile operators to strengthen our sports channel especially in relation to football. Other content services, such as Entertainment, Lifestyle & Leisure, Dining, Movie, Cartoon, Games, Fortune Telling, etc. will also be our focuses serving specifically the Chinese communities outside China. To support this, the Group is partnering with more content and technology providers including established brands and leading gaming companies to target youth lifestyle applications & services such as dating services, mobile blogging, and mobile comics.

4G technologies will bring a shift in the dynamics of the market in Asia, especially in Greater China market, which are becoming more advanced on internet and multimedia-based content. We therefore plan to use our knowledge and experience to provide a variety of rich-media content with operators and new potential platform on 4G iPhone across the Asian markets.

The financial crisis has hit the PRC real estate market segment hard and the effect is likely to last despite worldwide central banks assistance. The outlook of the country plus other regional reasons have had the PRC government to push and alter various policies, where it will affect the development project. Nonetheless residential need is a basic requirement for the large population particular for the newly-weds and younger generation moving up the social ladder plus the wish of returning to birthplace and family reunion. In view of these we remain optimistic to the development, but we will exercise caution during execution of the plan.

The acquisition of 33.33% interests with future possible opportunity to increase stake in a manufacturing plant of LCD and touch-screen panels, is aimed to broaden the Group's business. The plant is currently in partnership with a touch-screen manufacturer with solid sales to affordable top tier "touch-screen tablets" manufacturers in the PRC.

Touch-screen panels are used in many applications such as the heavy industry for direct machinery controls, medical for cleanliness and easy control and entertainment/media mediums like televisions or computer screens. Most notably the latest hit is on mobile phones and tablets. These are driven heavily first by Apple and now also Samsung, HTC and Blackberry. Divided in several pricing categories with technical cost being driven down, there are now cheaper versions of the same technology providing for the consumers to choose. For the high end mobile products, the sales is evident through the revenue of those larger technology cooperations like Apple. At the other end, the low end products, such as the US\$100 device categories, they also have their own marketability, especially in emerging countries. Recent researches compiled from various sources show that this category is predicted to have a world sales up to 500 million units per year.

Through the increasing awareness of the ability and potential of the touch-screen panel, it can only be logical that this technology will be evermore applied.

On 22 February 2012 and as supplemented by the supplemental agreement dated 15 March 2012, the Group has entered into an agreement to acquire a 75% interest of a company and its subsidiaries (the "Target Group") that engages in trading of electronic parts and components in relation to display modules and touch panel modules whereas it also provides professional solution with engineering services to meet individual customer needs.

In order to diversify the Group's existing business through horizontal integration and maximise the return of the shareholders, the Group have been identifying further investment opportunities. As the electronic parts traded by the Target Group are used by the existing LCD and touch-screen panel production operations of the Group, the acquisition of the Target Group will ensure a stable and consistent supply of such electronic parts at a competitive price for the existing LCD and touch-screen panel production. Also, integrating with the professional product solutions for display modules and touch panel modules provided by the Target Group will enhance the competitiveness and bargaining power of the Group's LCD and touch-screen panel production and as a result has the ability to sell at a higher price and/or higher margins.

As at the date of this report, this proposed acquisition is still in progress. Since this proposed acquisition constitutes a very substantial acquisition for the Company under the GEM Listing Rules. A circular containing, among other matters, (i) further details of the proposed acquisition; (ii) the accountants' report on the Target Group; (iii) the unaudited pro forma financial information of the enlarged group; and (iv) a notice to convene the EGM will be despatched to the Shareholders in compliance with the GEM Listing Rules. For details of this proposed acquisition, reference can be made to the announcement made by the Company on 15 March 2012

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

As at 30 June 2012, the interests and short positions of each Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept under section 352 of the SFO or as notified to the Company and the Stock Exchange, were as follows:

Long positions in shares – interests in the shares

			Approximate percentage of
		Number of	issued share
Name of Directors	Capacity	shares held	capital
Dr. Chan Chung	Beneficial owner	38,448,904	3.14%
Mr. Chan Wai Kwong, Peter	Beneficial owner	216,072	0.02%
		38,664,976	3.16%

Long positions 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	0.245%	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	0.245%	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	0.245%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Choi Ho Yan (Note)	Beneficial owner	29 June 2011	3,000,000	0.245%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. So Haw, Herman (Note)	Beneficial owner	29 June 2011	1,000,000	0.082%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Chiu Wai Piu <i>(Note)</i>	Beneficial owner	29 June 2011	500,000	0.041%	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	0.041%	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	0.041%	29 June 2011 – 28 June 2021	1.00	0.140
			14,500,000	1.185%			

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 30 June 2012, none of the Directors and chief executives of the Company has or was deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES 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 June 2012, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the issued share capital of the Company.

Long positions in shares - interest in the shares

			Approximate percentage of
Name of		Number of	issued
substantial shareholders	Capacity	shares held	share capital
China Oil Resources Group Limited	Beneficial owner	355,571,722	28.99%
PetroAsian Energy Holdings Limited ("PetroAsian Energy")	(Note 1)	355,571,722	28.99%
Vodatel Information Limited	Beneficial owner	155,419,392	12.67%
Vodatel Networks Holdings Limited ("Vodatel")	(Note 2)	155,419,392	12.67%
			41.66%

Long positions in underlying shares of equity derivatives

Name of substantial shareholders	Capacity	Number of underlying shares held	Approximate percentage of issued share capital
Mr. Poon Sum	Beneficial owner	175,226,994 (Note 3)	14.29%
Mr. Poon Sau Tin	Beneficial owner	175,226,993 (Note 3)	14.29%
			28.58%

Notes:

- PetroAsian Energy is deemed, by virtue of the SFO, to be interested in the 355,571,722 shares held 1. 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 Energy 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 2012, 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 wholly-owned subsidiary of VDT Mobile Holdings Limited which is a direct wholly-owned subsidiary of Vodatel Holdings Limited, a direct wholly-owned subsidiary of Vodatel. Vodatel is a company incorporated in Bermuda whose shares are listed on GEM (Stock code: 8033). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Vodatel or in accordance with whose directions or instructions Vodatel or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Vodatel is interested under the SFO will be deemed to be interested in the 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 annual report of Vodatel, as at 31 December 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 onethird 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 to subscribe for up to HK\$22,200,000 in cash 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 June 2012.

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 Option Scheme outstanding as at 30 June 2012 are set out below:

Pre-IPO Share Option Scheme

			Nun	nber of Share Op	otions				Consideration for the grant of the Option period option HK\$	
Name	Date of grant	Outstanding as at 1 April 2012	Granted during the period under review	Exercised during the period under review	Lapsed during the period under review	Outstanding as at 30 June 2012	Approximate percentage of issued share capital	Option period		Exercise price per share HK\$
Other Participants Employees in aggregate (Note)	9 February 2007	12,565	-	-	-	12,565	0.001%	9 February 2007 – 8 February 2017	1.00	0.078 (Adjusted)
	12 February 2008	25,130	-	-	-	25,130	0.002%	12 February 2008 – 11 February 2018	1.00	0.152 (Adjusted)
Business Consultant Young Antony, Michael	27 March 2003	376,952				376,952	0.031%	9 May 2003 – 8 May 2013	1.00	0.091 (Adjusted)
		414,647				414,647	0.034%			

Note: Employees working under employment contracts that were regards 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

			Num	ber of Share Op	otions					
Name	Date of grant	Outstanding as at 1 April 2012	Granted during the period under review	Exercised during the period under review	Lapsed during the period under review	Outstanding as at 30 June 2012	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
Executive Directors Dr. Chan Chung	29 June 2011	3,000,000	-	-	-	3,000,000	0.245%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Chan Wai Kwong, Peter	29 June 2011	3,000,000	-	-	-	3,000,000	0.245%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Siu King Nin, Peter	29 June 2011	3,000,000	-	-	-	3,000,000	0.245%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Choi Ho Yan	29 June 2011	3,000,000	-	-	-	3,000,000	0.245%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. So Haw, Herman	29 June 2011	1,000,000	-	-	-	1,000,000	0.082%	29 June 2011 – 28 June 2021	1.00	0.140
Independent Non-exec	utive Directors									
Mr. Chiu Wai Piu	29 June 2011	500,000	-	-	-	500,000	0.041%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Cheung Kwan Hung, Anthony	29 June 2011	500,000	-	-	-	500,000	0.041%	29 June 2011 – 28 June 2021	1.00	0.140
Mr. Heung Chee Hang, Eric	29 June 2011	500,000	-	-	-	500,000	0.041%	29 June 2011 – 28 June 2021	1.00	0.140
Other Participants Employees in aggregate (Note)	17 February 2010	314,126	-	-	-	314,126	0.026%	17 February 2010 – 16 February 2020	1.00	0.107 (Adjusted)
	29 June 2011	4,000,000				4,000,000	0.326%	29 June 2011 – 28 June 2021	1.00	0.140
		18,814,126				18,814,126	1.537%			

Employees working under employment contracts that were regards as "continuous contracts" for Note: 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 SECURITIES

The Company has not redeemed any of its shares since the date of listing. Neither the Company nor any of its subsidiaries has purchased or sold 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 PRACTICES

During the period under review, the Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules except for the deviations from code provision A.2.1 and A.4.2 that the roles of chairman and chief executive 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 A.2.1 stipulates that the roles of chairman and chief executive 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 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 A.4.2 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 dealing 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 three months ended 30 June 2012 and has provided advice and comments thereon.

By order of the Board
Siu King Nin, Peter
Executive Director

Hong Kong, 13 August 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.