



# Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8266

third quarterly report **2009**



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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, including particulars given in compliance with the Rules Governing the Listing of Securities on GEM (“GEM Listing Rules”) of the Stock Exchange 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, (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## RESULTS

The board of Directors (the "Board") of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31 December 2009, together with the unaudited comparative figures for the corresponding periods in 2008 as follows:

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2009

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Turnover		<b>4,733</b>	5,099	<b>13,453</b>	15,273
Other income and gains, net		<b>79</b>	117	<b>579</b>	367
Telecom operators and content providers costs		<b>(2,662)</b>	(2,744)	<b>(7,339)</b>	(8,036)
Employment costs		<b>(1,448)</b>	(1,443)	<b>(4,393)</b>	(4,207)
Research and development expenses		<b>(371)</b>	(364)	<b>(1,082)</b>	(1,211)
Depreciation of property, plant and equipment		<b>(47)</b>	(42)	<b>(143)</b>	(96)
Other operating expenses		<b>(662)</b>	(775)	<b>(2,065)</b>	(2,176)
Operating loss		<b>(378)</b>	(152)	<b>(990)</b>	(86)
Finance costs		–	–	–	–
Share of profit of an associate		<b>300</b>	280	<b>852</b>	718
(Loss)/Profit before taxation		<b>(78)</b>	128	<b>(138)</b>	632
Taxation	2	<b>(1)</b>	(2)	<b>(7)</b>	(2)
(Loss)/Profit for the period		<b>(79)</b>	126	<b>(145)</b>	630
Attributable to:					
Equity holders of the Company		<b>(79)</b>	126	<b>(145)</b>	630
Non-controlling interests		–	–	–	–
		<b>(79)</b>	126	<b>(145)</b>	630
(Loss)/Earnings per share for (loss)/profit attributable to the equity holders of the Company during the period	3				
– basic (HK cent)		<b>(0.017)</b>	0.027	<b>(0.031)</b>	0.133
– diluted (HK cent)		<b>(0.017)</b>	0.026	<b>(0.031)</b>	0.132

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 DECEMBER 2009

	Three months ended 31 December		Nine months ended 31 December	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
(Loss)/Profit for the period	<b>(79)</b>	126	<b>(145)</b>	630
Other comprehensive income:				
Exchange difference arising on translation of foreign operations	<b>(14)</b>	(16)	<b>(8)</b>	4
Total comprehensive income for the period	<b>(93)</b>	110	<b>(153)</b>	634
Attributable to:				
Equity holders of the Company	<b>(93)</b>	110	<b>(153)</b>	634
Non-controlling interests	—	—	—	—
	<b>(93)</b>	110	<b>(153)</b>	634

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 DECEMBER 2009

	Attributable to equity holders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Cumulative translation adjustment HK\$'000	Share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
Balance at 1 April 2008	36,930	35,564	16,375	2,943	540	312	(66,204)	26,460
Issue of shares under share option scheme	47	19	-	-	-	(12)	-	54
Share options lapsed during the period	-	-	-	-	-	(12)	12	-
Other comprehensive income:								
Exchange difference arising on translation of foreign operations	-	-	-	-	4	-	-	4
Profit for the period	-	-	-	-	-	-	630	630
<b>Balance at 31 December 2008</b>	<b>36,977</b>	<b>35,583</b>	<b>16,375</b>	<b>2,943</b>	<b>544</b>	<b>288</b>	<b>(65,562)</b>	<b>27,148</b>
Balance at 1 April 2009	36,977	35,582	16,375	2,943	543	320	(65,443)	27,297
Share options lapsed during the period	-	-	-	-	-	(11)	11	-
Recognition of share options benefit at fair value	-	-	-	-	-	187	-	187
Other comprehensive income:								
Exchange difference arising on translation of foreign operations	-	-	-	-	(8)	-	-	(8)
Loss for the period	-	-	-	-	-	-	(145)	(145)
<b>Balance at 31 December 2009</b>	<b>36,977</b>	<b>35,582</b>	<b>16,375</b>	<b>2,943</b>	<b>535</b>	<b>496</b>	<b>(65,577)</b>	<b>27,331</b>

## NOTES:

**1. Basis of preparation**

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective term include all applicable individual 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. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

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 2009 except in relation to the following new and revised HKFRS that are adopted for the first time for the current period's financial information.

HKFRS 7 (Amendments)	<i>Financial Instruments: Disclosure – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 27 (Amendments)	<i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate</i>

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

**2. Income tax**

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 British Virgin Islands income tax.

No provision for Hong Kong profits tax is made in the financial statements as the Group has sufficient tax losses brought forward available to offset the current estimated profit (2008: Nil). Taxation on overseas profits has been calculated on the estimated profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Unaudited			
	Three months ended 31 December		Nine months ended 31 December	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Taxation charge				
Current tax				
– Overseas taxation	1	2	7	2

### 3. (Loss)/Earnings per share

#### (a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the loss (2008: profit) 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	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
(Loss)/Profit for the period attributable to equity holders of the Company	(79)	126	(145)	630
Weighted average number of ordinary shares in issue during the period	473,411,363	473,177,908	473,411,363	473,177,908
Basic (loss)/earnings per share	(0.017) cents	0.027 cents	(0.031) cents	0.133 cents

**(b) Diluted (loss)/earnings per share**

Diluted (loss)/earnings per share is calculated by dividing the loss (2008: profit) for the period attributable to equity holders of the Company by the total of the weighted average number of ordinary shares in issue during the period and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

	Unaudited			
	Three months ended 31 December		Nine months ended 31 December	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
(Loss)/Profit for the period attributable to equity holders of the Company	<u>(79)</u>	<u>126</u>	<u>(145)</u>	<u>630</u>
Weighted average number of ordinary shares in issue during the period	<b>473,411,363</b>	473,177,908	<b>473,411,363</b>	473,177,908
Weighted average number of ordinary shares issued at no consideration on the deemed exercise of all shares options outstanding during the period	<u>6,626,465</u>	<u>2,977,093</u>	<u>6,626,465</u>	<u>2,977,093</u>
	<b>480,037,828</b>	476,155,001	<b>480,037,828</b>	476,155,001
Diluted (loss)/earnings per share	<u><b>(0.017) cents</b></u>	<u>0.026 cents</u>	<u><b>(0.031) cents</b></u>	<u>0.132 cents</u>



## DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2009 (2008: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Performance

During the period under review, the Group's turnover was inevitably impacted by the global economic recession in the year of 2009 despite preventive measures taken by the Group to moderate the effect. As such, the Group's turnover decreased to HK\$13,453,000, representing a 11.9% decline compared to that of the corresponding period of last year, and the Group recorded a loss of HK\$145,000 as compared to a profit of HK\$630,000 for the corresponding period of last year. Notwithstanding, the Group has managed to retain its gross profit margin at 45.4% which slightly dropped from 47.4% recorded in the corresponding period of last year.

### Business Review

Due to the ongoing changes in the mobile media industry, especially the market permeation of the iPhone and other handsets' application stores, the Group has been refining current mobile value added services ("MVAS") stemmed from the mobile operators' on-portal business and exploring new business models to complement our established "on-portal" operator business and the emergent "off-portal" business marketed directly to the consumers.

The Group continues to develop new services in Hong Kong and expand into new markets, particularly focusing the expansion in China. On July 31, 2009, The Hong Kong Wireless Development Center signed an MOU with Jiangmen 3G Application Industrial Base and MTel will be appointed as the 1st mobile value added service provider to cooperate with five other parties inclusive of: Information Office of Jiangmen Municipal, Pengjian District People's Government of Jiangmen City, China Mobile, China Telecom and China Unicom to further foster partnership and new business opportunities.

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

The Group has developed a very strong position in the Sport & Entertainment Services for mobile users across the region through key partnerships with the leading global news agencies. After the successful football season ended in April 2009, our Sports MVAS revenues in 2009 were boosted in part by the coverage of major international sporting events, such as the World Cup Qualifying football services and East Asian Games 2009. The mobile entertainment experience has becoming richer and user-friendlier thus delivering more real value for the subscribers. Leveraging on its partnerships with various content and technology providers, the Group continued to offer a wide range of quality content targeted at the mobile users, creating an innovative and targeted platform with a new business model for potential advertisers.

The Group's real time soccer info streaming service and joint service with Music Powerhouse of Music Magic Touch were selected by the Hong Kong Wireless Development Centre for the Innovative TD-SCDMA Services and Applications Awards and showcased at the Hong Kong Cyberport TD-SCDMA Service Development Centre.

We are participating in the launching of the mobile TV services with 3HK in Hong Kong and also offering various mobile TV services across the region. Besides operating all the movie channels with all 6 mobile operators in Hong Kong, the Group has partnered with Nokia Hong Kong to deploy the mobile ticketing service. The mobile ticketing service is the 1st Nokia Widget mobile payment application which compatible with all latest N 60 series handsets in Hong Kong. The group believes mobile TV and mobile payment service will be a natural extension from our value added services business. The Group continues to focus in two main business areas, value added services business and operators outsourcing business in the Greater China and Asia Pacific markets.

We have also deployed the sports services into Indonesia, Taiwan, Singapore, Sri Lanka, etc. in order to fully utilize our unique GloDan (Global Data Network) network connections. We have coordinated the rights from branded content owners to distribute relevant content via the region's mobile operators' networks.

During the period, MTel China endeavoured to provide portals and e-business platforms development supporting services to China Mobile and signed an e-business platform development contract with China Mobile – Inner Mongolia to develop B2C business. With regard to developing markets, MTel China provided services to China Mobile at both provincial and municipal levels. Companies currently serviced include China Mobile – Beijing, China Mobile – Guangdong, China Mobile – Jiangsu, China Mobile – Inner Mongolia, China Mobile – Dongguan, Foshan and China Mobile – Guangzhou.

In the other market, the Group has also been able to offer a full range of multi-media services and business know-how to the operators throughout Southeast Asia. Under our strong content portfolios and our large library of offerings in 3G services provisioning in Hong Kong and Macau, the Group has successfully extended and continually expanded our services to the emerging markets including Malaysia, Pakistan, Singapore, Sri Lanka, Vietnam and Indonesia.

In the Hong Kong market, the Group has launched the two popular Taiwanese TV programs from StarTV, Blackie and Lollipop as Channel V into the mobile channels both for the mobile TV services, Video on Demand, and interactive blogging services with the integration with Channel V Web portal. The Channel V mobile service is now available in all 3G mobile operators in Hong Kong market. Following the successful cooperation with Channel V, The National Geographic Channel has also appointed MTel as a technical partner to deploy the National Geographic Mobile application for Blackberry handsets and the application is now available in Australia market.

During this summer holidays, the Group has partnership with GME model agency and has launched the 1st Hong Kong Young idols channel featuring the hottest idol – Miss Chrissie Chau and other 8 top young idols. This channel is now exclusive with Hutchison 3HK and now has extended into the iPhone application. The Group has also conducted with several major joint promotions with movie distributors and mobile operators for major blockbuster movies including Transformers 2, Harry Potter, Monsters vs Allens, GI Joe, etc. Our movie channels have already deployed our mobile interactive gaming services with mobile operators including CSL, Hutchison 3 Hong Kong, SmarTone-Vodafone, PCCW Mobile, and China Mobile Hong Kong as a joint promotion with movie distributors. This interactive gaming service has also extended into other content channels which are targeting in different segments of mobile users including Sports, Gaming, and Lifestyles centric group of youth. The Group believes the interactive gaming service is the evolution of deploying mobile content services that focus on the interactive aspect and create unique applications that simulate users' interest and enjoyment. Those interactive gaming services are mainly associated with the key campaigns together with advertisers for sponsorship including the movie distributors, sports brands, etc. The results of those services indicate the response rate continues to grow both on the click rate together with the revenue into value added services and the recent mobile campaigns including Transformers 2, GI Joe, Hasbro, M&Ms, etc. These partnerships include content providers, well-known brands as well as mobile marketing partners.

For mobile game business, the Group has entered into major partnerships with Electronic Art Mobile and THQ Wireless, 2 major game developers to distribute their games & content in Hong Kong and Macau market and we are now signing more than 100+ games & content developers. Beside the game distribution, the group has allocated more resources into the marketing promotion of launching several key campaigns with the mobile operators and game providers. We further assist our games & content partners to enter the other Asian markets through the GloDan system to streamline the workflow of game launch. The Group has launched a JAVA Games Portal with Mobilink and Dialog, the largest mobile subscribers in Pakistan and Sri Lanka market to deliver the latest JAVA games and a range of mobile value added services. In Hong Kong, China Mobile Hong Kong has appointed the Group as a Master Game Provider to manage the entire JAVA Games business and the service has commenced in April 2009 and the Group is now working as a Master Game provider in JAVA Games business with 7 major mobile operators in Hong Kong and Macau. Apart from single player JAVA Games, the Group has launched a series of multi-player JAVA games titles with CSL, the largest mobile operator in Hong Kong in July 2008. The Group will continue to provide exceptional service quality & efficiency in the MVAS business. This is likely to lead more operators to collaborate with us in their MVAS operations.

The mobile entertainment segment is increasingly Internet bounded. The Group's Mobilesurf service platform for full entertainment service provisioning is relevant to this trend. Instead of a typical operator wall garden approach to content delivery, the launching of the iPhone brings Internet content such as YouTube & Google map mobile sites in a fashion that is similar to our Mobilesurf service platform. We plan to further expand our Mobilesurf platform to deliver content via the Internet and look for iPhone, Widget type of client application opportunities in China. The Group also partnered with Hutchison 3HK to launch four key value added services on 3G iPhone that tie into the handset launching since 11 July 2008 and the Group is started to develop more widget applications with handset manufacturers.

Mobile games, which we first started as an operator outsourcing business, now grow to become a major MVAS platform for us. The Group is also scaling its game hosting business to serve the various channels & exploring new markets such as China, Indonesia, Pakistan, Vietnam, Sri Lanka, etc. In this regard, more operators consider outsourcing their existing data products and services to independent third parties. The Group has benefited by this trend and has won several outsourcing projects from operators in this region. The Group is now serving 7 mobile operators in Hong Kong and Macau to operate the entire mobile game business including 3HK & Macau, CSL & New World Mobility, PCCW Mobile, China Mobile Hong Kong, and Macau CTM. This collaboration shows the strong recognition to the Group of its experience and expertise in gaming business and considers the Group as the key player in this arena to assist mobile operators to operate the games and numerous other MVAS business in both 2G and 3G markets.

The Group has formed a partnership with several international content providers to distribute its branded content on wireless distribution of its rich content pool that brings iconic branded titles such as Monsters vs Aliens, Transformers, GI Joe, X Men, and Harry Potter content to 3G and 2G mobile users in Hong Kong and other countries. Through our GloDan network, EA Mobile has recently been made available to Hong Kong subscribers and the services are also available in various forms, including the popular brands with movie, TV drama, console game, and toy related titles. The Group is strongly poised to provide consumers with innovative new product that targets the teen and young adult market, offering a diversified range of mobile content products, personalized and located to the market.

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

## **Prospect**

Since the latter part of the year 2008 with the worldwide financial crisis, the Group has been strengthening our key business into our existing key markets. 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. 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.

We expand content aggregation business to include IP rights management for our partners. For some of the new market such as Philippines, Vietnam, Sri Lanka, and Indonesia, the Group will plan to act as a master content aggregator on behalf of the local operators and define the solid business cases for them in order to maximize the revenue and minimize the resources allocation. In addition, the Group will also share its experience and strategy of our successful services with operators in new markets in order to achieve the mutual benefit between both parties. The Group has recently signed up with more content partners including established brands such as Star TV to distribute its programs in the region and the world's leading gaming companies. In addition, the Group shall extend more business relationships with WiFi service providers and handset manufacturers as more new handsets shall support the WiFi connection. In term of the content strategy, the Group is exploring the cross platform value added services with mobile operators and the Group shall extend some of the core values added services into the Web platform business as well as the mobile operators have extended their business strategy into the mobile broadband. In addition, the Group is extending several key value added services into the client applications and launching with handset manufacturers for pre-install application or handset vendors' application stores.

For the more advance 3G markets such as Australia, Hong Kong, Malaysia, Singapore and Taiwan, the Group believes diversification of multi-media with interactive services to attract customers from different content types will be the focus of the near future. The Group continues to operate its 3G services in Malaysia and Singapore and plans to expand our offerings to more operators there. The Group will develop applications and create more interactive services with the 3G operators to bring 3G technologies to the business and the consumer markets. Once the market acceptance has adopted and increased more traffic in hit rates of individual service, the mobile advertising will be the next curve into the business and the Group shall also play a key role in this business with launching more than 100+ mobile value added services with the mobile operators in Asia market. In addition, the Group has formed and extended our focus into the mobile enterprise market which tackles into the vertical market with SME business. The Group believes it will be driven another new revenue stream both on recurrent and project based business.

The Group brings to the telecom operators with a broad frontier of new businesses and entertainment services based on our extensive experience in mobile data services provisioning since 1999. The Group's newly developed services include video blogging & messaging with the subscribers in combination with easily downloading clips from films, music, sports and information services channels. The Group believes SHOWME!, the user-generated content revolution has begun and will become into a mainstream business in mobile arena.

In addition, the Group is working closely with mobile operators to strengthen our sports channel as well as the new football season in August 2009. The Group believes the Sports channel shall be one of our key value added services in mobile market and the Group is partnerships with various media agencies to explore the mobile advertising into our Sports channel. More other content services include Entertainment, Lifestyle & Leisure, Dining, Movie, Cartoon, Games, Fortune Telling, etc. will be available as well. The Group is ideally positioned to benefit from this development, as the Group is currently one of the largest 3G content providers with longest track record to provide 3G related services to operators in Hong Kong and it is also expected to be introduced soon in Singapore, Taiwan, and Malaysia especially with the Asian content for Chinese community in the region. In the advance services, the Group shall deploy more interactive gaming services and video broadcasting services such as mobile TV in order to enhance the user behaviors on the mobile phone. The Group has recently signed up with more content partners including established brands and leading gaming companies. Our extensive experience in offering different types of mobile services totaling several hundreds further positions the Group to capture more business opportunities as they quickly emerge in the PRC market.

For the Game business, the Group is focusing on our key partners and providing them with greater levels of innovation, support and attention; this has enabled us to significantly reduce overheads and generate more margin of business for the year.

For the existing markets, China, Hong Kong, Singapore, Taiwan, Malaysia and Australia continue to be the Group's major revenue markets. The Group shall continue to expand its outsourcing projects with operators in order to maintain steady revenue on a recurrent basis. Although the manpower cost is relatively high in Hong Kong, the Group benefits from further outsource lower requirement projects to its associate company in the PRC. In addition, the Group believes its business model can be extended into other new markets such as Vietnam, Pakistan, Indonesia or any other new potential markets for business cooperation. The scale in terms of both quantity of content and operators remains the Group's strongest differentiation point.

Youth targeted lifestyle applications & services such as dating services, mobile blogging, and mobile comics are also gaining popularity in Hong Kong. Operators are expecting a high demand for Internet-based, interactive, multi-media mobile communication services such as chat, video, and interactive games in the near term. Although Hong Kong is still a small market, the Group is expected to achieve a high growth in the medium term. Two main drivers for the growth would be popularity of the mobile gaming and mobile blogging. In terms of Internet strategy, the Group believes the trend to deliver the same communication services to end-user over both Internet and mobile networks will determine the future access. The Group shall extend our force to explore with the strategic partnerships to extend its services into Internet platform as extension.

The uptake of 3G services into 3.5G technologies will also bring a shift in the dynamics of the market in Asia. As the market is likely to move to a more advanced Internet and multimedia-based content, we plan to ride on our existing advantages and experience to provide a variety of rich-media content with operators and new potential platform on 3G iPhone across the Asia market. The overview revenue in other markets is expected to achieve a high growth in the next quarter over the forecast period.

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

In future business development in China, given the fact that 3G licenses have been granted to the major operators there, the Group with its edge and experience in 3G services will provide domestic and international content that are well suited to the Chinese culture as well as services to meet customers' demands.

The Group is focusing its business to serve the various brands to mobilize their content and brands from more traditional media platforms. The Group is cooperating with handset manufacturers for efficient service provisioning. The efforts include pre-load and prominently feature and the Group's services with optimized handsets, giving consumers quick and easy access to their Internet content and services. The devices will be available to consumers in Hong Kong and afterward will be extending into a number of markets across Asia.

At present, the Group covers most of the telecom operators and portals in the Asia Pacific region. We continue to work steadily with partners in other regions such as Korea, Indonesia, Philippines, Sri Lanka, Pakistan, Thailand and Vietnam. We plan to develop our 2G & 3G services in terms of advances in technology, customer services, user experience and quality of services as our strongest differentiation from any competitors in the region.

### **Sales and Marketing Activities**

Last year, the Chinese government distributed 3G license to the three major telecom operators in China. The Group believes it will be positive for mobile consumers and will bring new opportunities to mobile service providers over the long run. The Group has expanded its focus in the PRC and worked with China Mobile (Guangdong) via MTel China in Guangzhou. The Group shall leverage its 3G experiences and plan to expand our PRC footprints by acquiring and/or forming strategic partnerships with relevant companies in China. Such local companies with local know-how will allow us to develop completely new and user-friendly services for the PRC market. We will streamline our distribution channel to deliver third party content even further to the growing PRC market. The Group has been exploring the development potential in the markets of Jiangmen and Qingdao. In addition, the Group will expand more professionals and operations in PRC team in order to support the operation and development in Hong Kong and overseas business. This move will let us further maximize the margin of our revenues with cost control and the potential of our service delivery engine that has been connected to the operators' infrastructure in Hong Kong and Macau for many years. To complete our connectivity with the major PRC provinces enable us to become the premier 3G services enabler in the PRC and regional markets.



The Group has also generated more and more of its revenue from its recurring and outsourcing business with telecommunication operators over the past year and starting with more outsourcing business from handset manufacturers to deploy its applications or services for their own new handsets launching. The Group has expanded its business into download and streaming multimedia services including other video services in 2.5G, 2.75G and 3G networks together with the Live streaming capabilities in satellite delivery for Mobile TV services. In addition, the Group is now deploying more value-added services with other sales channels in Malaysia, Singapore, Indonesia, Sri Lanka, Pakistan, Taiwan and Vietnam. The Group believes that more existing MVAS business can be extended to more operators in Asia Pacific and will be expanding operation through partnership and/or acquisition in those countries.

The Group has been extending more proprietary applications into the interactive features on its MobileSurf platform. One of the key focus is the Group shall extend our game download platform into the mobile application stores with mobile operators. This mobile application stores shall provide more applications for a full range of handsets and platforms including JAVA, Symbian, Widget, Windows Mobile, Android, etc. This extension allows the centralization of its GloDan network in Hong Kong as a major hub between network operators and content providers across Asia Pacific region. In respect of mobile application stores, the Group has benefited from its strength in content offerings in cooperation with handset manufacturers to develop mobile applications.

The Group has recently embarked more significantly on mobile marketing in conjunction with our existing value-added services for 2.5G & 3G. In addition, the Group has formed several alliances with strategic media partners to leverage its expertise to explore the new media revenue.

The Group is also focusing on the various carefully selected customer segments in its markets. These segments include the youth community as well as sport fans community. The Group has developed tailor made products and services to such target segments and is rolling them out according to the roadmap agreed with local operators. Such product segment thinking enables the Group to roll out its services across the countries with high pace and healthy margins.

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

As at 31 December 2009, the interests and short positions of the Directors and chief executives of the Company in the shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in shares – interests in the shares

<b>Name of Directors</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Approximately percentage of issued share capital</b>
Dr. Chan Chung	<i>(Note)</i>	177,785,861	37.6%
Mr. Chan Wai Kwong, Peter	Beneficial owner	4,064,036	0.9%
		<u>181,849,897</u>	<u>38.5%</u>

*Notes:* By virtue of the SFO, Dr. Chan Chung is deemed to be interested in the 177,785,861 shares held by Silicon Asia Limited ("Silicon"), a private company beneficially wholly owned by him.

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

Name of Directors	Capacity	Date of grant	Number of underlying shares	Approximate	Option period	Consideration for the grant of the option	Exercise price per share
				percentage of issued share capital			
						HK\$	HK\$
Dr. Chan Chung ( <i>Note</i> )	Beneficial owner	27 March 2003	300,000	0.063%	9 May 2003 – 8 May 2013	1.00	0.103
		18 September 2006	4,728,113	0.999%	18 September 2006 – 17 September 2016	1.00	0.078
		12 February 2008	4,728,113	0.999%	12 February 2008 – 11 February 2018	1.00	0.191
		13 February 2009	4,734,113	1.000%	13 February 2009 – 12 February 2019	1.00	0.101
Mr. Chan Wai Kwong, Peter ( <i>Note</i> )	Beneficial owner	27 March 2003	100,000	0.021%	9 May 2003 – 8 May 2013	1.00	0.103
			<u>14,590,339</u>	<u>3.082%</u>			

*Note:* Share options to Dr. Chan Chung and Mr. Chan Wai Kwong, Peter were granted under the Pre-IPO share option scheme and share option scheme which was approved by the shareholders of the Company on 27 March 2003 (the “Pre-IPO Share Option Scheme”) and (the “Share Option Scheme”). All of the above share options are physically settled equity derivatives.

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

## 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 2009, the Company had been notified of the following substantial shareholders' interest and short positions, being 5% or more of the issued share capital of the Company.

### Long positions in shares – interest in the shares

Name of shareholder	Capacity	Number of shares held	Approximate percentage of the issued share capital
Silicon	Beneficial owner	177,785,861	37.6%
Dr. Chan Chung	<i>(Note 1)</i>	177,785,861	37.6%
Vodatel Information Limited	Beneficial owner	94,573,696	20.0%
Vodatel Networks Holdings Limited ("Vodatel")	<i>(Note 2)</i>	94,573,696	20.0%
Go Capital Limited	Beneficial owner	31,902,233	6.7%
Culturecom Holdings Limited ("Culturecom")	<i>(Note 3)</i>	31,902,233	6.7%
United Overseas Bank Limited ("UOB")	Beneficial owner <i>(Note 4)</i>	27,295,584	5.8%
			70.1%

#### Notes:

1. Silicon, a company incorporated in the British Virgin Islands, is an investment holding company. Silicon is directly and wholly owned by Dr. Chan Chung. Dr. Chan Chung is deemed, by virtue of the SFO, to be interested in the same 177,785,861 shares held by Silicon.

2. Vodatel is deemed, by virtue of the SFO, to be interested in the 94,573,696 shares held by Vodatel Information Limited as Vodatel Information Limited is a direct wholly-owned subsidiary of VDT Mobile Holdings Limited which is a direct wholly-owned subsidiary of Vodatel Holdings Limited, a direct wholly-owned subsidiary of Vodatel. Vodatel is a company incorporated in Bermuda whose shares are listed on GEM (Stock code: 8033). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Vodatel or in accordance with whose directions or instructions Vodatel or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Vodatel is interested under the SFO will be deemed to be interested in the 94,573,696 shares which Vodatel is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Vodatel can be found in the information published by Vodatel from time to time and from the GEM website at [www.hkgem.com](http://www.hkgem.com). According to the latest quarterly report of Vodatel, as at 30 September 2009, Mr. Jose Manuel dos Santos, Miss Lei Hon Kin, Lois Resources Limited and Eve Resources Limited were interested or deemed to be interested in more than one-third of the then issued share capital of Vodatel.
3. Culturecom is deemed, by virtue of SFO, to be interested in the 31,902,233 shares held by Go Capital Limited as Go Capital Limited is a direct wholly-owned subsidiary of Culturecom Investments Limited which is a direct wholly-owned subsidiary of Culturecom Holdings (BVI) Limited, a direct wholly-owned subsidiary of Culturecom. Culturecom is a company incorporated in Bermuda whose shares are listed on the Main Board (Stock code 343). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Culturecom or in accordance with whose directions or instructions Culturecom or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Culturecom is interested under the SFO will be deemed to be interested in the 31,902,233 shares which Culturecom is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Culturecom can be found in the information published by Culturecom from time to time and from the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk). According to the latest interim report of Culturecom, as at 30 September 2009, no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.

4. UOB is a company incorporated in Singapore, the shares of which are listed on Singapore Stock Exchange Securities Trading Limited. Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of UOB or in accordance with whose directions or instructions UOB or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which UOB is interested under the SFO will be deemed to be interested in the 27,295,584 shares which UOB will be deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in UOB can be found in the information published by UOB from time to time and from the website of Singapore Stock Exchange Securities Trading Limited at [www.sgx.com](http://www.sgx.com). According to the latest annual report of UOB, as at 31 December 2008, no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.

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 2009.

## 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 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 Pre-IPO Share Option scheme outstanding as at 31 December 2009 are set out as below:

### Pre-IPO Share Option Scheme

Name	Date of grant	Outstanding as at 1 April 2009	Number of Share Options			Outstanding as at 31 December 2009	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
			Granted during the period under review	Exercised during the period under review	Lapsed during the period under review					
<b>Executive Directors</b>										
Dr. Chan Chung	27 March 2003	300,000	-	-	-	300,000	0.063%	9 May 2003 – 8 May 2013	1.00	0.103
Mr. Chan Wai Kwong, Peter	27 March 2003	100,000	-	-	-	100,000	0.021%	9 May 2003 – 8 May 2013	1.00	0.103
<b>Other Participants</b>										
Employees in aggregate (Note)	27 March 2003	492,500	-	-	-	492,500	0.104%	9 May 2003 – 8 May 2013	1.00	0.103
	09 February 2007	115,000	-	-	-	115,000	0.024%	9 February 2007 – 8 February 2017	1.00	0.090
	12 February 2008	60,000	-	-	(20,000)	40,000	0.008%	12 February 2008 – 11 February 2018	1.00	0.191
<b>Business Consultant</b>										
Young Antony, Michael	27 March 2003	300,000	-	-	-	300,000	0.063%	9 May 2003 – 8 May 2013	1.00	0.114
		<u>1,367,500</u>	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>1,347,500</u>	<u>0.283%</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 Pre-IPO Share Option Scheme have been exercised and cancelled during the period under review.

## Share Option Scheme

Name	Date of grant	Outstanding as at 1 April 2009	Number of Share Options			Outstanding as at 31 December 2009	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
			Granted during the period under review	Exercised during the period under review	Lapsed during the period under review					
<b>Executive Directors</b>										
Dr. Chan Chung	18 September 2006	4,728,113	-	-	-	4,728,113	0.999%	18 September 2006 – 17 September 2016	1.00	0.078
	12 February 2008	4,728,113	-	-	-	4,728,113	0.999%	12 February 2008 – 11 February 2018	1.00	0.191
	13 February 2009	4,734,113	-	-	-	4,734,113	1.000%	13 February 2009 – 12 February 2019	1.00	0.101
<b>Other Participants</b>										
Employees in aggregate (Note)	13 February 2009	5,234,113	-	-	-	5,234,113	1.106%	13 February 2009 – 12 February 2019	1.00	0.101
		<u>19,424,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,424,452</u>	<u>4.104%</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 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.

## COMPETING INTERESTS

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



## 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 2009 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 and the largest shareholder of the Company) is not subject 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. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Eric and Mr. Chen Kwok Wang, Kester. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. The audit committee has reviewed with the management this unaudited quarterly report for the nine months ended 31 December 2009 and has provided advice and comments thereon.

By Order of the Board  
**Chan Chung**  
*Chairman*

Hong Kong, 8 February 2010

*As at the date of this report, the Board comprises of two executive directors namely Dr. Chan Chung (Chairman) and Mr. Chan Wai Kwong, Peter; and three independent non-executive directors namely Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Eric and Mr. Chen Kwok Wang, Kester.*