



Mobile Telecom Network (Holdings) Limited
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8266



Interim Report

2010



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This report, for which the directors (the “Directors”) of Mobile Telecom Network (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

RESULTS

The board of Directors (the "Board") of Mobile Telecom Network (Holdings) Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred as the "Group") for the three months and six months ended 30 September 2010, together with the unaudited comparative figures for the corresponding periods in 2009 as follows:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 30 September 2010

	Notes	Three months ended 30 September		Six months ended 30 September	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Turnover	2	5,992	4,322	10,487	8,720
Other income and gains, net		548	248	601	500
Telecom operators and content providers costs		(2,760)	(2,364)	(5,039)	(4,677)
Employment costs		(2,555)	(1,453)	(4,284)	(2,945)
Research and development expenses		(610)	(316)	(1,145)	(711)
Depreciation of property, plant and equipment		(60)	(51)	(114)	(96)
Other operating expenses		(978)	(703)	(2,408)	(1,403)
Operating loss		(423)	(317)	(1,902)	(612)
Share of profit of an associate		287	216	475	552
Loss before taxation		(136)	(101)	(1,427)	(60)
Taxation	3	(47)	(3)	(47)	(6)
Loss for the period		(183)	(104)	(1,474)	(66)
Attributable to:					
Equity holders of the Company		(174)	(104)	(1,358)	(66)
Non-controlling interests		(9)	-	(116)	-
		(183)	(104)	(1,474)	(66)
Loss per share for loss attributable to the equity holders of the Company during the period	4				
- Basic (HK cent)		(0.036)	(0.022)	(0.284)	(0.014)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2010

	Three months ended 30 September		Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Loss for the period	(183)	(104)	(1,474)	(66)
Other comprehensive income for the period:				
Exchange difference arising on translation of financial statements of foreign operations	44	9	45	6
Total comprehensive loss for the period	(139)	(95)	(1,429)	(60)
Attributable to:				
Equity holders of the Company	(130)	(95)	(1,313)	(60)
Non-controlling interests	(9)	–	(116)	–
Total comprehensive loss for the period	(139)	(95)	(1,429)	(60)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 September 2010

	<i>Notes</i>	Unaudited 30 September 2010 HK\$'000	Audited 31 March 2010 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		422	301
Interest in an associate	5	9,250	8,731
		<u>9,672</u>	<u>9,032</u>
Current assets			
Trade and other receivables	6	3,390	3,757
Financial assets designated as at fair value through profit or loss	7	–	8,184
Cash and deposits with banks		17,594	10,178
		<u>20,984</u>	<u>22,119</u>
Total assets		<u>30,656</u>	<u>31,151</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	8	37,440	36,977
Reserves		(11,194)	(10,092)
		<u>26,246</u>	<u>26,885</u>
Non-controlling interests		<u>(116)</u>	<u>–</u>
Total equity		<u>26,130</u>	<u>26,885</u>
LIABILITIES			
Current liabilities			
Current tax payables		47	–
Trade and other payables	9	4,479	4,266
Total liabilities		<u>4,526</u>	<u>4,266</u>
Total equity and liabilities		<u>30,656</u>	<u>31,151</u>
Net current assets		<u>16,458</u>	<u>17,853</u>
Total assets less current liabilities		<u>26,130</u>	<u>26,885</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Exchange translation reserve	Share-based payment reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2009	36,977	35,582	16,375	2,943	543	320	(65,443)	27,297	-	27,297
Share options lapsed during the period	-	-	-	-	-	(11)	11	-	-	-
Recognition of share option benefits at fair value	-	-	-	-	-	124	-	124	-	124
Total comprehensive (loss)/income for the period	-	-	-	-	6	-	(66)	(60)	-	(60)
Balance at 30 September 2009	36,977	35,582	16,375	2,943	549	433	(65,498)	27,361	-	27,361
Balance at 1 April 2010	36,977	35,582	16,375	2,943	572	556	(66,120)	26,885	-	26,885
Share options lapsed during the period	-	-	-	-	-	(1)	1	-	-	-
Shares issued upon exercise of share options	463	137	-	-	-	-	-	600	-	600
Recognition of share option benefits at fair value	-	-	-	-	-	74	-	74	-	74
Transfer to share premium on exercise of share options	-	134	-	-	-	(134)	-	-	-	-
Total comprehensive (loss)/income for the period	-	-	-	-	45	-	(1,358)	(1,313)	(116)	(1,429)
Balance at 30 September 2010	37,440	35,853	16,375	2,943	617	495	(67,477)	26,246	(116)	26,130

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000
Net cash used in operating activities	(1,628)	(923)
Net cash generated from/(used in) investing activities	5,724	(6,034)
Net cash generated from financing activities	600	–
Net increase/(decrease) in cash and cash equivalents	4,696	(6,957)
Cash and cash equivalents at 1 April	12,830	19,781
Effect of foreign exchange rates changes	68	6
Cash and cash equivalents at 30 September	17,594	12,830
Analysis of cash and cash equivalents:		
Cash and deposits with banks	17,594	12,830

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited interim financial statements for the six months ended 30 September 2010 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited.

These unaudited interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2010. They have been prepared on the historical cost basis.

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 2010 except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRS”) that are adopted for the first time for the current period’s financial information.

HKFRS 2 (Amendment)	<i>Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 (Amendment)	<i>Classification of Right Issues</i>
HKAS 39 (Amendment)	<i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC) – Int 17 (Amendment)	<i>Distributions of Non-Cash Assets to Owners</i>
Improvements to HKFRSs 2009	

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

2. Segment information

The Group has determined the operating segments based on the reports reviewed by the Group's top management that are used to make strategic decisions. As the Group is mainly engaged in the mobile data solutions business, the Group's top management considers the business mainly from a geographic perspective.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's top management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include mainly trade receivables, prepayments, other receivables, deposits and property, plant and equipment. Segment liabilities include trade payables, accruals and other deposits received.

Revenue and expenses are allocated to the reportable segments with reference to sales generated and the expenses incurred by those geographical segments or which otherwise arise from the depreciation of assets attributable to those reportable segments.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The segment information provided to the Group's top management for the reportable segments for the six months ended 30 September 2010 is as follows:

	Unaudited						Total 2010 HK\$'000
	Hong Kong/ Macau 2010 HK\$'000	PRC 2010 HK\$'000	Sri Lanka 2010 HK\$'000	Singapore 2010 HK\$'000	Taiwan 2010 HK\$'000	Others* 2010 HK\$'000	
	Turnover	9,558	445	149	190	64	
Segment results	813	187	35	60	(547)	65	613
Unallocated costs							(2,515)
Operating loss							(1,902)
Share of profit of an associate							475
Loss before taxation							(1,427)
Taxation							(47)
Loss for the period							(1,474)
Segment assets	5,916	1,242	-	-	158	-	7,316
Interest in an associate							9,250
Unallocated assets							14,090
Total assets							30,656
Segment liabilities	(3,949)	(278)	-	-	(23)	-	(4,250)
Unallocated liabilities							(276)
Total liabilities							(4,526)
Capital expenditure	226	9	-	-	-	-	235
Depreciation of property, plant and equipment	113	1	-	-	-	-	114

* Others represent turnover generated from Australia and Malaysia.

The segment information for the six months ended 30 September 2009 is as follows:

	Unaudited						Total 2009 HK\$'000
	Hong Kong/ Macau 2009 HK\$'000	PRC 2009 HK\$'000	Australia 2009 HK\$'000	Singapore 2009 HK\$'000	Taiwan 2009 HK\$'000	Others* 2009 HK\$'000	
	Turnover	8,209	-	69	248	112	
Segment results	657	(131)	47	177	(288)	62	524
Unallocated costs							(1,136)
Operating loss							(612)
Share of profit of an associate							552
Loss before taxation							(60)
Taxation							(6)
Loss for the period							(66)
Segment assets	4,718	999	-	-	128	-	5,845
Interest in an associate	-	8,639	-	-	-	-	8,639
Unallocated assets							16,730
Total assets							31,214
Segment liabilities	(3,325)	(79)	-	-	(27)	-	(3,431)
Unallocated liabilities							(422)
Total liabilities							(3,853)
Capital expenditure	98	-	-	-	-	-	98
Depreciation of property, plant and equipment	94	-	2	-	-	-	96

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

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

3. Taxation

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

No provision for Hong Kong profits tax is made in the financial statements as the Group has sufficient tax losses brought forward available to offset the current estimated assessable profits (2009: 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	
	2010	2009	2010	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Taxation charge				
Current tax				
– Overseas taxation	47	3	47	6

4. Loss per share

(a) *Basic loss per share*

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

	Unaudited			
	Three months ended 30 September		Six months ended 30 September	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Loss for the period attributable to equity holders of the Company	<u>(174)</u>	(104)	<u>(1,358)</u>	(66)
Weighted average number of ordinary shares in issue during the period	<u>477,798,016</u>	473,411,363	<u>477,798,016</u>	473,411,363
Basic loss per share	<u>(0.036) cents</u>	(0.022) cents	<u>(0.284) cents</u>	(0.014) cents

(b) *Diluted earnings per share*

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

5. Interest in an associate

	Unaudited 30 September 2010 HK\$'000	Audited 31 March 2010 HK\$'000
Share of net assets	2,784	2,308
Goodwill	5,513	5,513
	8,297	7,821
Due from an associate	953	910
	9,250	8,731

- (a) Except for the loan amount of HK\$250,000 which is charged at 5% per annum, the remaining balance due from the associate is unsecured, interest free and has no fixed term of repayment. It is neither past due nor impaired.
- (b) The Group's interest in its associate, which is unlisted and engaged in the business of development and provision of mobile data solutions and related services in the PRC, is as follows:

Name	Place of Registration	Assets	Liabilities	Revenue	Profit	Interest
		HK'000	HK'000	HK'000	HK'000	held %
As at 30 September 2010						
廣州流之動資訊技術 有限公司	PRC	7,648	1,219	5,416	1,096	43.3
As at 31 March 2010						
廣州流之動資訊技術 有限公司	PRC	6,765	1,204	13,057	1,515	43.3

6. Trade and other receivables

	Unaudited 30 September 2010 HK\$'000	Audited 31 March 2010 HK\$'000
Trade receivables	2,702	3,073
Prepayments, other receivables and deposits	688	684
	3,390	3,757

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

	Unaudited 30 September 2010 HK\$'000	Audited 31 March 2010 HK\$'000
Less than 30 days	2,071	1,637
31 to 60 days	83	652
61 to 90 days	137	227
Over 90 days	411	557
	2,702	3,073

7. Financial assets designated as at fair value through profit or loss

	Unaudited 30 September 2010 HK\$'000	Audited 31 March 2010 HK\$'000
Foreign currency-linked notes	<u>–</u>	<u>8,184</u>

As at 31 March 2010, the Group had acquired certain foreign currency-linked notes for short-term investment purposes, which were issued by a financial institution with high credit rating and with maturity period ranging from 1 to 3 months.

These foreign currency-linked notes were redeemed with cash during the six months ended 30 September 2010.

8. Share capital

	Number of shares		Nominal value	
	Unaudited 30 September 2010	Audited 31 March 2010	Unaudited 30 September 2010 HK\$'000	Audited 31 March 2010 HK\$'000
<i>Authorised:</i>				
At beginning and end of the period/year				
Ordinary shares of US\$0.01 each	<u>2,000,000,000</u>	<u>2,000,000,000</u>	<u>156,000</u>	<u>156,000</u>
<i>Issued and fully paid:</i>				
At beginning of the period/year				
Ordinary shares of US\$0.01 each	473,411,363	473,411,363	36,977	36,977
Shares issued upon exercise of share options	<u>5,931,613</u>	<u>–</u>	<u>463</u>	<u>–</u>
At end of the period/year				
Ordinary shares of US\$0.01 each	<u>479,342,976</u>	<u>473,411,363</u>	<u>37,440</u>	<u>36,977</u>

9. Trade and other payables

	Unaudited 30 September 2010 HK\$'000	Audited 31 March 2010 HK\$'000
Trade payables	1,847	1,954
Accrued expenses	630	1,557
Other payables	<u>2,002</u>	<u>755</u>
	<u>4,479</u>	<u>4,266</u>

The ageing analysis of the trade payables is as follows:

	Unaudited 30 September 2010 HK\$'000	Audited 31 March 2010 HK\$'000
Less than 30 days	702	641
31 to 60 days	88	471
61 to 90 days	300	220
Over 90 days	<u>757</u>	<u>622</u>
	<u>1,847</u>	<u>1,954</u>

10. Commitments

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

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

	Unaudited 30 September 2010 HK\$'000	Audited 31 March 2010 HK\$'000
Within one year	919	607
In the second to fifth years, inclusive	1,072	–
	1,991	607

11. Transactions with related parties

The Group's key management compensation for the six months ended 30 September 2010 amounted to approximately HK\$1,964,000 (2009: HK\$1,130,000).

12. Interim dividend

The board does not recommend the payment of an interim dividend for the six months ended 30 September 2010 (2009: Nil).

13. Post balance sheet event

On 4 November 2010, the Company entered into a placing agreement with Finet Securities Limited (the “Placing Agent”), pursuant to which, the Company has conditionally agreed to place, through the Placing Agent on a best-effort basis, up to a maximum of 90,000,000 new Placing Shares at a price of HK\$0.2 per Placing Shares. The Placing Shares represent (i) approximately 18.78% of the existing issued share capital of the Company of 479,342,976; and (ii) approximately 15.81% of the Company’s issued share capital of 569,342,976 Shares as enlarged by the allotment and issue of the Placing Shares.

The Placee for all 90,000,000 Placing Shares is Ever Champion Trading Limited (“Ever Champion”), an investment holding company incorporated in the British Virgin Islands. The ultimate beneficial owner of Ever Champion is a substantial shareholder of the holding company of the Placing Agent.

The net proceeds from the Placing (after deducting the placing commission, professional fees and other related expenses payable by the Company) are approximately HK\$17.5 million which are intended to be used for general working capital of the Group.

The Placing is conditional upon the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares under the Placing.

Further details of the Placing are set out in the Company’s announcement dated 4 November 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the six months ended 30 September 2010, the Group recorded an unaudited turnover of approximately HK\$10,487,000, representing an increase of approximately 20.3% as compared with approximately HK\$8,720,000 for the corresponding period in 2009. However, the Group recorded a significant loss of approximately HK\$1,474,000 as compared with those for the corresponding period in 2009. The increase in loss was mainly due to the incurrence of non-recurring professional fees for the general offer pursuant to the Hong Kong Code on Takeover and Mergers and that the increase in employment costs and research and development costs caused by the increase in staff employed during the period under review. The Group has managed to improve its gross profit margin at 52.0% which is slightly higher than the 46.4% recorded in the corresponding period of last year.

Business review

Due to the ongoing changes in mobile technologies and platforms, especially the market permeation of the iPhone and other smartphones, the Group has been refining current mobile value added services ("MVAS") for such transitions in consumer behaviors. The Group is exploring new business models to complement the established "on-portal" operator business with new market and the emerging "off-portal" business marketed directly to the consumers.

The Group has been selected by China Telecom GD China to offer a full comprehensive World Cup VAS services in Guangdong province in China and the services include all 64 live match video streaming and match video highlights content. For the mobile application business in China, the Group is in partnership with GZ Daily, one of the most popular local newspapers in GD province and offers a full extension to iPhone users. This iPhone application brings the latest & top breaking news on politics, current affairs, finance, entertainment, and sports information in Mainland China.

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

All our sports services, delivered into Indonesia, Taiwan, Singapore, Sri Lanka, and etc., fully utilise our unique GloDan (Global Data Network) network connections. We have coordinated the rights from branded content owners to distribute relevant content via the regional mobile operators' networks.

The Group continues to develop new services in China including portals and e-business platforms development supporting services to China Mobile and e-business platform development with China Mobile – Inner Mongolia on B2C business. The Group also provided services to China Mobile at both provincial and municipal levels include China Mobile – Beijing, China Mobile – Guangdong, China Mobile – Jiangsu, China Mobile – Inner Mongolia, China Mobile – Dongguan, China Mobile – Foshan and China Mobile – Guangzhou.

We are participating in the operating of all the movie channels with all 6 mobile operators in Hong Kong, the Group has partnered with Nokia Hong Kong, Samsung Hong Kong, Microsoft Hong Kong to extend our Movie VAS services into mobile application with individual handset platform. The movie mobile application is now available into mobile Nokia Widget, Microsoft Windows Mobile 6.5, Samsung Bada, Apple iPhone platform and the application is able to connect the major cinema lines with their mobile ticketing service.

In the mobile application business, the Group has been appointed by consumer brands, device manufacturers, and mobile operators to design and create mobile applications on popular mobile platforms including iPhone, Android, Nokia, Microsoft, Blackberry, and Samsung Bada. Leveraging the Group's 10 years of mobile application development experience, we are vowed to deliver both a great experience for users and profit for partners. One of our recognitions of mobile application with consumer client – Citibank Hong Kong has been launched in June 2010 and successfully deployed and available in 5 major handset platform including Apple App Store, Nokia Ovi Store, Microsoft Marketplace, Android Market, and Samsung App store. This project of mobile application offers the mobile users to discover the nearby hottest offers instantly and receive the latest promotional and reward information with all new mobile platforms at anytime and anywhere. In the 1st quarter of mobile application business, the group also deployed more than 10 different mobile applications and the clients including GZ Daily, Altira Macau, Metro Radio, Yahoo Hong Kong, GME Group, Hutchison 3HK, PCCW Mobile, etc.

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

In the Hong Kong market, the Group has entered into partnership with Blackberry RIM and National Geographic Channel to develop the Nat Geo App for Blackberry in Hong Kong and Australia market. The Nat Geo App offers rich media content and programmes from the channels archive. Apart from documentaries, photos, and videos, users can also download wallpapers and ringtones to suit their own BlackBerry phones. The service is offered through mobile operator PCCW mobile in Hong Kong and Blackberry App World in Australia. The Group believes there will be more similar partnerships of the mobile application business in the coming future.

The Group believes the interactive gaming service is the evolution of deploying mobile content services that focuses on the interactive aspect and creates unique applications that simulate users' interests and enjoyment. Those interactive gaming services are mainly associated with key campaigns together with advertisers for sponsorship including movie distributors, sports brands, etc. The Group has formed a partnership with an advertising media company – Buspak to co-develop the new media campaign into the Webus platform with 100 WiFi Buses in Hong Kong and the recent mobile campaigns including VISA, Kit Kat, CNY etc.

For mobile game business, the Group has entered into major partnerships with Big Point, a world-class selection of the browser games titles. The games can be played without downloading or installation of extra software, and are enjoyed by over 60 million players worldwide. The Group distributes Big Point titles leveraging our network of mobile operators and the 1st launch is available on SingTel, Singapore market in early 2010.

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

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 to external parties.

Sales and Marketing Activities

The Group has been extending more proprietary applications into the interactive features on its MobileSurf platform for smartphones. 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 centralisation 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 mobile industry is in a transition from simple short message and entertainment to serious customer services and enterprise applications. The Group has recently embarked more significantly on mobile application development and in conjunction with mobile marketing. Mobile marketing applications in conjunction with the Group's existing value-added services for 2.5G & 3G become a unique advantage for us. 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.

The Group has expanded its focus in the PRC and worked with China Mobile (Guangdong) via MTel China in Guangzhou. The Group leverages its 3G experiences and plans to expand 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 our PRC team in order to support the operation and development in Hong Kong and overseas business. This move will let us further maximise 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 enables us to become the premier 3G services enabler in the PRC and regional markets.

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.

Prospect

Since Hong Kong is recovering from the worldwide financial crisis, the Group has been increasing its investment in human resources on strengthening key business in existing key markets and exploring new business with mobile applications. The mobile entertainment market is getting increasingly competitive with major corporations creating new companies or divisions to enter this market in a major way. The Group will also explore new opportunities to diversify its main dependence on mobile service provisioning both in premium services and advertising model associated with existing channels with mobile operators business and mobile application with handsets' application stores business. The outsourcing business seems to be a growing trend in periods of economical crises and the Group will focus to expand more in this direction as more demands from various handset manufacturers.

We expand content aggregation business to include IP rights management for our partners. For some of the new markets such as Philippines, Vietnam, Sri Lanka, and Indonesia, the Group will plan to act as a master content aggregator on behalf of the local operators and define the solid business cases for them in order to maximise the revenue and minimise the resources allocation. In addition, the Group will also share its experience and strategy of our successful services with operators in new markets in order to achieve 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 value added services into the Web platform business as well as the mobile operators have extended their business strategies into the mobile broadband. In addition, the Group is extending several key value added services into the client applications and launching with handset manufacturers for pre-install application or handset vendors' application stores.

For the more advanced 3G markets such as Hong Kong, Malaysia, Singapore and Taiwan, the Group believes diversification of multi-media with interactive services to attract customers from different content types will be the focus of the near future. The Group continues to operate its 3G services in Malaysia and Singapore and plans to expand our offerings to more operators there. The Group will develop applications and create more interactive services with the 3G operators to bring 3G technologies to the business and the consumer markets. Once the market acceptance has adopted and 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 the Asian markets. In addition, the Group has formed and extended our focus into the mobile enterprise market which tackles into the vertical market with SME businesses. The Group believes it will be driven by another new revenue stream both on recurrent and project based business.

In addition, the Group is working closely with mobile operators to strengthen our sports channel as well as the new football services riding on the World Cup. The Group believes the Sports channel shall be one of our key value added services in mobile market and the Group is partnering 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 Asian contents for Chinese communities in the region. In the advanced services, the Group shall deploy more interactive gaming services and video broadcasting services such as mobile TV in order to enhance the user 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 hundred further positions the Group to capture more business opportunities as they quickly emerges 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 and Taiwan continue to be the Group's major revenue markets. The Group shall continue to expand its outsourcing projects with operators in order to maintain steady revenue on a recurrent basis. Although the manpower cost is relatively high in Hong Kong, the Group benefits from further outsourcing of lower requirement projects to its associated company in the PRC. In addition, the Group believes its business model can be extended into other new markets such as Vietnam, Pakistan, Indonesia or any other new potential markets for business cooperation. The scale in terms of both quantity of content and operators remains the Group's strongest differentiation point.

Youth targeted lifestyle applications & services such as dating services, mobile blogging, and mobile comics are also gaining popularity in Hong Kong. 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 strategic partnerships to extend its services into internet platform as extension.

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

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.

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

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

Liquidity and Financial Resources

The Group maintains a stable financial position. As at 30 September 2010, the Group had net current assets of approximately HK\$16,458,000 (31 March 2010: HK\$17,853,000), of which approximately HK\$17,594,000 (31 March 2010: HK\$10,178,000) were bank balances and cash. The Group's other current assets recorded at 30 September 2010 mainly comprised approximately HK\$3,390,000 (31 March 2010: HK\$11,941,000) in trade receivables, other receivables, financial assets designated as at fair value through profit or loss and deposits and prepayments, which decreased by 71.6% when compared with previous financial year. Current liabilities of the Group increased by 6.1% amounting to approximately HK\$4,526,000 (31 March 2010: HK\$4,266,000). The Group did not have any long-term liabilities as at 30 September 2010.

The Group generally financed its operations with its internally generated cash flows. The Directors are confident that the Group's existing financial resources are sufficient to satisfy its commitments and working capital.

Gearing Ratio

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.17 as at 30 September 2010 (31 March 2010: 0.16).

Foreign Exchange Exposure

As at 30 September 2010, the Group had fixed deposits of approximately HK\$3,046,000 (31 March 2010: HK\$4,800,000) in Pounds Sterling, being financial products with defined and limited risks and not belonging to any kind of accumulators.

Save for the above, the income and expenditure of the Group are mainly denominated in Hong Kong Dollars and thus the impact of foreign exchange exposure to the Group is considered minimal in this respect and no hedging or other arrangements to reduce the currency risk have been implemented.

Capital Structure

5,931,613 new shares of US\$0.01 each were issued and allotted during the six-month period upon exercise of share options granted by the Company.

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

Material Acquisitions and Disposal

The Group had no material acquisitions or disposals during the six-month period.

Charges on Group's Assets

As at 30 September 2010, the Group did not have any charges on the Group's assets.

Contingent Liabilities, Capital Commitments and Significant Investments

As at 30 September 2010, the Group did not have any contingent liabilities, capital commitments and significant investments.

Employee Information

As at 30 September 2010, the Group had a total of 39 employees in Hong Kong. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors' emoluments, amounted to approximately HK\$5,429,000 for the six months ended 30 September 2010 (2009: HK\$3,656,000). Share options and bonuses are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group.

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

As at 30 September 2010, 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
Mr. Chan Wai Kwong, Peter	Beneficial owner	108,036	0.02%

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

Name of Directors	Capacity	Date of grant	Number of underlying shares	Approximate	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	0.986%	18 September 2006 – 17 September 2016	1.00	0.078
		12 February 2008	4,728,113	0.986%	12 February 2008 – 11 February 2018	1.00	0.191
		13 February 2009	4,734,113	0.988%	13 February 2009 – 12 February 2019	1.00	0.101
		17 February 2010	4,734,113	0.988%	17 February 2010 – 16 February 2020	1.00	0.134
			<u>19,224,452</u>	<u>4.011%</u>			

Note: Share options to Dr. Chan Chung were granted under the Pre-IPO Share Option Scheme and 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 executive of the Company has or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 September 2010, 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 shareholders	Capacity	Number of shares held	Approximate percentage of the issued share capital
China Oil Resources Group Limited	Beneficial owner	177,785,861	37.09%
PetroAsian Energy Holdings Limited ("PetroAsian Energy")	(Note 1)	177,785,861	37.09%
Vodatel Networks Holdings Limited ("Vodatel")	(Note 2)	80,325,696	16.76%
			53.85%

Notes:

- PetroAsian Energy is deemed, by virtue of the SFO, to be interested in the 177,785,861 shares held by China Oil Resources Group Limited as China Oil Resources Group Limited is a direct and wholly-owned subsidiary of PetroAsian Energy. PetroAsian Energy is a company incorporated in the Cayman Islands whose shares are listed on the Main Board (Stock code: 850). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of PetroAsian Energy or in accordance with whose directions or instructions PetroAsian Energy or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which PetroAsian Energy is interested under the SFO will be deemed to be interested in the 177,785,861 shares which PetroAsian is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in PetroAsian Energy can be found in the information published by PetroAsian Energy from time to time and from the website of the Stock Exchange at www.hkex.com.hk. According to the latest annual report of PetroAsian Energy, as at 31 March 2010, 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 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 80,325,696 shares which Vodatel is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Vodatel can be found in the information published by Vodatel from time to time and from the GEM website at www.hkgem.com. According to the latest annual report of Vodatel, as at 31 December 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.

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who has an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 30 September 2010.

SHARE OPTIONS RULES

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

Pursuant to the Share Option Scheme and the Pre-IPO Share Option Scheme, certain Directors and participants have been granted options to subscribe for shares. Details of the share options granted under the Share Option Scheme and the Pre-IPO Share Option Scheme outstanding as at 30 September 2010 are set out below:

Pre-IPO Share Option Scheme

Name	Date of grant	Number of Share Options				Outstanding as at 30 September 2010	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 2010	Granted during the period under review	Exercised during the period under review	Lapsed during the period under review					
Executive Directors										
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)	-	-	-	9 May 2003 – 8 May 2013	1.00	0.103
Other Participants										
Employees in aggregate (Note)	27 March 2003	492,500	-	(492,500)	-	-	-	9 May 2003 – 8 May 2013	1.00	0.103
	9 February 2007	115,000	-	(105,000)	-	10,000	0.002%	9 February 2007 – 8 February 2017	1.00	0.090
	12 February 2008	20,000	-	-	-	20,000	0.004%	12 February 2008 – 11 February 2018	1.00	0.191
Business Consultant										
Young Antony, Michael	27 March 2003	300,000	-	-	-	300,000	0.063%	9 May 2003 – 8 May 2013	1.00	0.114
		<u>1,327,500</u>	<u>-</u>	<u>(697,500)</u>	<u>-</u>	<u>630,000</u>	<u>0.132%</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 cancelled during the period under review.

Share Option Scheme

Name	Date of grant	Number of Share Options				Outstanding as at 30 September 2010	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 2010	Granted during the period under review	Exercised during the period under review	Lapsed during the period under review					
Executive Director										
Dr. Chan Chung	18 September 2006	4,728,113	-	-	-	4,728,113	0.986%	18 September 2006 – 17 September 2016	1.00	0.078
	12 February 2008	4,728,113	-	-	-	4,728,113	0.986%	12 February 2008 – 11 February 2018	1.00	0.191
	13 February 2009	4,734,113	-	-	-	4,734,113	0.988%	13 February 2009 – 12 February 2019	1.00	0.101
	17 February 2010	4,734,113	-	-	-	4,734,113	0.988%	17 February 2010 – 16 February 2020	1.00	0.134
Other Participants										
Employees in aggregate <i>(Note)</i>	13 February 2009	5,234,113	-	(5,234,113)	-	-	-	13 February 2009 – 12 February 2019	1.00	0.101
	17 February 2010	300,000	-	-	(50,000)	250,000	0.052%	17 February 2010 – 16 February 2020	1.00	0.134
		<u>24,458,565</u>	<u>-</u>	<u>(5,234,113)</u>	<u>(50,000)</u>	<u>19,174,452</u>	<u>4.000%</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).

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 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 2010 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.

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members comprising all independent non-executive directors namely Mr. Chiu Wai Piu, Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. The audit committee has reviewed with the management this unaudited interim report for the six months ended 30 September 2010 and has provided advice and comments thereon.

By order of the Board

Chan Chung

Chairman

Hong Kong, 11 November 2010

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