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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Mobile Telecom Network (Holdings) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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### MOBILE TELECOM NETWORK (HOLDINGS) LIMITED

流動電訊網絡(控股)有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 8266)

**(1) OPEN OFFER OF NOT LESS THAN 588,567,428 OFFER SHARES AND  
NOT MORE THAN 592,147,428 OFFER SHARES ON THE BASIS OF  
ONE OFFER SHARE FOR EVERY  
SHARE HELD ON THE RECORD DATE; AND  
(2) CHANGE IN BOARD LOT SIZE**

**Independent Financial Adviser to the Independent Board Committees  
and Independent Shareholders**



**Underwriter**



**Ever-Long Securities Company Limited**

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Terms used in this cover page have the same meanings as defined in this circular.

A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 37 to 62 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 36 of this circular.

**It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events prior to 4:00 p.m. on the Latest Time for Termination. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" on page 12 of this circular. If the Underwriting Agreement is terminated by the Underwriters or does not become unconditional, the Open Offer will not proceed.**

A notice convening the EGM to be held at Suite 1006, 10/F., Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong, Hong Kong at 5:00 p.m. on Friday, 20 May 2011 is set out on pages 85 to 87 of this circular. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.

4 May 2011

\* For identification purpose only

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## CHARACTERISTICS OF GEM

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

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

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Announcement”	the announcement of the Company dated 4 April 2011 in relation to the Open Offer
“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Change in Board Lot Size”	the proposed change in the board lot size for trading of the Shares from 8,000 to 16,000 with effect from 22 June 2011
“China Oil”	China Oil Resources Group Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is wholly and beneficially owned by PetroAsian
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong
“Company”	Mobile Telecom Network (Holdings) Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM
“connected person(s)”	has the meaning ascribed to this term under the GEM Listing Rules
“Convertible Bonds”	the convertible bonds to be issued by the Company to Mr. Poon Sum and Mr. Poon Sau Tin in the principal amount of HK\$33,000,000 at an initial conversion price of HK\$0.242 per conversion Share (subject to adjustment(s)) pursuant to the terms and conditions of the Sale and Purchase Agreement

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## DEFINITIONS

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“Director(s)”	director(s) of the Company
“Director’s Option”	The option granted to a former Director to subscribe for 3,000,000 Shares in the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held on 20 May 2011 for the Independent Shareholders to consider and, if thought fit, approve the Open Offer and the transactions contemplated thereunder
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Gold Continental”	Gold Continental Investments Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly owned subsidiary of the Company
“Golden Kingtex”	Golden Kingtex Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board comprised of all the independent non-executive Directors, namely Mr. Chiu Wai Piu, Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric, formed for advising the Independent Shareholders in relation to the Open Offer

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## DEFINITIONS

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“Independent Financial Adviser” or “Cinda”	Cinda International Capital Limited, a licensed corporation to type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance in Hong Kong, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Open Offer
“Independent Shareholders”	Shareholders other than China Oil and any other persons who are involved in, or interested in, the Open Offer and their respective associates
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Last Trading Day”	4 April 2011, being the last trading day for the Shares before the release of the Announcement
“Latest Practicable Date”	29 April 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for the inclusion in this circular
“Latest Time for Acceptance”	4:00 p.m. on 9 June 2011 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Offer Shares
“Latest Time for Termination”	4:00 p.m. on the third business day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
“Offer Share(s)”	not less than 588,567,428 new Shares and not more than 592,147,428 new Shares proposed to be offered to the Qualifying Shareholders for subscription on the basis of one Offer Share for every Share held on the Record Date and payable in full on acceptance pursuant to the Open Offer

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## DEFINITIONS

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“Open Offer”	the proposed issue of the Offer Shares by way of Open Offer to the Qualifying Shareholders on the terms to be set out in the Prospectus Documents and summarised herein
“Options”	together the Director’s Option and Share Options
“Overseas Letter”	a letter from the Company to the Prohibited Shareholders explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Open Offer
“Overseas Shareholders”	the Shareholders with registered addresses on the register of members of the Company which are outside Hong Kong on the Record Date
“PetroAsian”	PetroAsian Energy Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange, the holding company of China Oil
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Prohibited Shareholder(s)”	those Overseas Shareholder(s) to whom the Board, after making enquires, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to them
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus and the application form for the Offer Shares
“Prospectus Posting Date”	25 May 2011 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents

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## DEFINITIONS

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“Qualifying Shareholders”	the Shareholders, other than the Prohibited Shareholders, whose names appear on the register of members of the Company as at the close of business on the Record Date
“Record Date”	20 May 2011, being the date by reference to which entitlements to the Open Offer will be determined
“Registrar”	Computershare Hong Kong Investor Services Limited, the branch share registrar of the Company
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 15 February 2011 and entered into among the Company, as the purchaser and Mr. Poon Sum and Mr. Poon Sau Tin, as the vendors in relation to the sale and purchase of the shares of Best Team International Investment Limited, the details of which were disclosed in the announcement dated 15 February 2011 of the Company
“Share(s)”	ordinary share(s) of US\$0.01 each in issued share capital of the Company
“Share Options”	the share options granted or to be granted under the share option schemes adopted by the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Specified Event”	an event occurring or matter arising on or after the date hereof and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.1 for each Offer Share under the Open Offer



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## DEFINITIONS

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“Undertaking”	the irrevocable undertaking given by PetroAsian in favour of the Company and the Underwriter, details of which are set out in the paragraph headed “Undertaking given by PetroAsian” in this circular
“Underwriting Agreement”	the underwriting agreement dated 4 April 2011 entered into between the Company, the Underwriter and PetroAsian in relation to the Open Offer
“Underwriter”	Ever-Long Securities Company Limited, a licensed corporation to carry out types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance in Hong Kong
“Warrants”	the warrants to be issued by the Company to Mr. Poon Sum and Mr. Poon Sau Tin in the principal amount of HK\$2,000,000 at an initial exercise price of HK\$0.222 per warrant Share (subject to adjustment(s)) pursuant to the terms and conditions of the Sale and Purchase Agreement
“Warrant Shares”	Shares to be allotted and issued upon exercise of the subscription rights under the Warrants
“Yangdong Fuli”	陽東富力房地產發展有限公司 (Yangdong Fuli Real Estate Development Company Limited#)
“Yangdong Land”	77 parcels of land with a total site area of approximately 31,823.60 square metres located at East Zone and West Zone, Yangdong Garden, Yangdong County, Yangjiang City, Guangdong Province, PRC owned by Yangdong Fuli
“Yangdong Properties”	(i) 11 villas for residential use with a total gross floor area of approximately 5,142.08 square metres erected and constructed on the Yangdong Land; and (ii) a residential development with villas, residential units and commercial units with a total gross floor area of approximately 36,128.73 square metres, to be erected and constructed on the Yangdong Land

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## DEFINITIONS

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“Yangjiang Land”	2 parcels of land with a total site area of approximately 16,128.00 square metres located at Wumaling, Longtao, Jiangcheng District, Yangjiang City, Guangdong Province, PRC owned by Yangjiang Yonglian
“Yangjiang Properties”	a residential development with villas, residential units and commercial units with a total gross floor area of approximately 46,851.84 square metres to be erected and constructed on the Yangjiang Land
“Yangjiang Yonglian”	陽江市永聯房地產開發有限公司 (Yangjiang Yonglian Real Estate Development Company Limited#)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

*For the purpose of this circular, unless otherwise indicated, conversion of US\$ into HK\$ is calculated at the approximate exchange rate of US\$1.00 to HK\$7.80. This exchange rate is adopted for the purpose of illustration purpose only and do not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.*

# *The English translations of Chinese names or words in this circular, where indicated, are included for information purpose only, and should not be regarded as the official English translations of such Chinese names or words.*

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## SUMMARY OF THE OPEN OFFER

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*The following information is derived from, and should be read in conjunction with, the full text of this circular.*

Basis of the Open Offer:	One Offer Share for every Share held on the Record Date and payable in full on acceptance
Subscription Price:	HK\$0.1 per Offer Share
Number of Shares in issue as at the Latest Practicable Date:	588,567,428 Shares
Number of Shares to be allotted and issued upon the exercise of the rights for all outstanding Options granted:	3,580,000 Shares
Number of Offer Shares:	Not less than 588,567,428 Offer Shares and not more than 592,147,428 Offer Shares (assuming full exercise of all outstanding Options prior to the Record Date). The aggregate nominal value of the Offer Shares is not less than US\$5,885,674.28 (equivalent to approximately HK\$45,908,000) and not more than US\$5,921,474.28 (equivalent to approximately HK\$46,187,000)
Number of Offer Shares undertaken to be procured to be taken up by China Oil:	PetroAsian has given the Undertaking under the Underwriting Agreement in favour of the Company and the Underwriter (i) to procure the subscription of the 177,785,861 Offer Shares for which China Oil is entitled pursuant to the Open Offer; (ii) that the 177,785,861 Shares registered in the name of and beneficially owned by China Oil will remain registered in the name of and beneficially owned by China Oil up to and including the Latest Time for Termination; and (iii) that PetroAsian will remain the ultimate legal and beneficial owner of the entire issued share capital of China Oil up to and including the Latest Time for Termination

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## SUMMARY OF THE OPEN OFFER

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Number of Offer Shares underwritten by the Underwriter:	Not less than 410,781,567 Offer Shares and not more than 414,361,567 Offer Shares, being the number of the Offer Shares, less the aggregate number of the Offer Shares to be taken up by China Oil under the Undertaking
Number of Shares in issue upon completion of the Open Offer:	Not less than 1,177,134,856 Shares and not more than 1,184,294,856 Shares

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## EXPECTED TIMETABLE

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*The expected timetable for the Open Offer as set out below is indicative only and has been prepared on the assumption that the Open Offer will be approved by the Independent Shareholders at the EGM. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.*

2011

Last day of dealing in Shares on a cum-entitlement basis . . . . .	11 May
First day of dealing in Shares on an ex-entitlement basis . . . . .	12 May
Latest time for lodging transfer of Shares in order to be qualified for the Open Offer . . . . .	4:30 p.m. on 13 May
Register of members of the Company closes (both dates inclusive) . . . . .	16 May to 20 May
Record Date . . . . .	20 May
EGM . . . . .	20 May
Announcement of the result of EGM . . . . .	20 May
Register of members for the Shares reopens . . . . .	23 May
Despatch of Prospectus Documents . . . . .	25 May
Latest time for acceptance of and payment for Offer Shares . . . . .	4:00 p.m. on 9 June
Latest time for the Open Offer to become unconditional . . . . .	4:00 p.m. on 14 June
Announcement of the results of the Open Offer . . . . .	17 June

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## EXPECTED TIMETABLE

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If the Open Offer is terminated, refund cheques to be despatched on or before . . . . .	20 June
Share certificates for Offer Shares to be posted . . . . .	20 June
Dealings in Offer Shares commences . . . . .	22 June
Effective date of the Change in Board Lot Size . . . . .	22 June
First day of odd lot trading arrangements . . . . .	22 June
Last day of odd lot trading arrangements . . . . .	13 July

All times stated in this circular refer to Hong Kong times. Dates stated in this circular for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Open Offer will be announced as appropriate.

### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR OFFER SHARES**

The latest time for acceptance of and payment for Offer Shares will not take place if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal

in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on 9 June 2011. Instead, the Latest Acceptance Date for the Offer Shares will be rescheduled to 12:00 noon on the next Business Day which does not have either of those warnings signal in force at any time between 9:00 a.m. and 12:00 noon. If the Latest Acceptance Date for the Offer Shares does not take place on 9 June 2011, the dates mentioned in the section headed “Expected timetable” in this circular may be affected. An announcement will be made by the Company in such event as soon as practicable.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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### TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (a) in the sole and absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
  - (iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the sole and absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (c) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or
- (e) the Prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company and which may in the sole and absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to accept the Offer Shares provisionally allotted to it,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination and thereupon the obligations of all parties under the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.



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## LETTER FROM THE BOARD

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### MOBILE TELECOM NETWORK (HOLDINGS) LIMITED

流動電訊網絡(控股)有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 8266)

*Executive Directors:*

Dr. Chan Chung (*Chairman*)  
Mr. Chan Wai Kwong, Peter  
Mr. Siu King Nin, Peter  
Mr. Choi Ho Yan

*Independent non-executive Directors:*

Mr. Chiu Wai Piu  
Mr. Cheung Kwan Hung, Anthony  
Mr. Heung Chee Hang, Eric

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal place of business*

*in Hong Kong:*  
Room 2516, 25th Floor,  
North Tower, Concordia Plaza,  
1 Science Museum Road,  
Tsim Sha Tsui, Kowloon,  
Hong Kong

4 May 2011

*To the Shareholders*

Dear Sir or Madam,

- (1) OPEN OFFER OF NOT LESS THAN 588,567,428 OFFER SHARES AND NOT MORE THAN 592,147,428 OFFER SHARES ON THE BASIS OF ONE OFFER SHARE FOR EVERY SHARE HELD ON THE RECORD DATE; AND**  
**(2) CHANGE IN BOARD LOT SIZE**

#### INTRODUCTION

As announced by the Company in the Announcement, the Company proposed to raise not less than approximately HK\$58.86 million before expenses, by way of open offer of not less than 588,567,428 Offer Shares and not more than 592,147,428 Offer Shares at a price of HK\$0.1 per Offer Share on the basis of one Offer Share for every Share held on the Record Date and payable in full on acceptance.

\* For identification purpose only

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## LETTER FROM THE BOARD

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On 26 April 2011, the Company also announced that it proposed to change the board lot size for trading of the Shares from 8,000 to 16,000 with effect from 22 June 2011.

The Independent Board Committee has been formed to advise the Independent Shareholders in respect of the Open Offer. Cinda has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The purpose of this circular is to give (i) details of the Open Offer and certain financial information; (ii) the recommendations of the Independent Board Committee in relation to the Open Offer; (iii) a letter of advice from the Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer; and (iv) notice convening the EGM.

### OPEN OFFER

#### Issue Statistics

Basis of the Open Offer:	One Offer Share for every Share held on the Record Date and payable in full on acceptance
Subscription Price:	HK\$0.1 per Offer Share
Number of Shares in issue as at the Latest Practicable Date:	588,567,428 Shares
Number of Shares to be allotted and issued upon the exercise of the rights for all outstanding Options granted:	3,580,000 Shares
Number of Offer Shares:	Not less than 588,567,428 Offer Shares and not more than 592,147,428 Offer Shares (assuming full exercise of all outstanding Options prior to the Record Date). The aggregate nominal value of the Offer Shares is not less than US\$5,885,674.28 (equivalent to approximately HK\$45,908,000) and not more than US\$5,921,474.28 (equivalent to approximately HK\$46,187,000)

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## LETTER FROM THE BOARD

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Number of Offer Shares undertaken to be procured to be taken up by China Oil:	PetroAsian has given the Undertaking under the Underwriting Agreement in favour of the Company and the Underwriter (i) to procure the subscription of the 177,785,861 Offer Shares for which China Oil is entitled pursuant to the Open Offer; (ii) that the 177,785,861 Shares registered in the name of and beneficially owned by China Oil will remain registered in the name of and beneficially owned by China Oil up to and including the Latest Time for Termination; and (iii) that PetroAsian will remain the ultimate legal and beneficial owner of the entire issued share capital of China Oil up to and including the Latest Time for Termination
Number of Offer Shares underwritten by the Underwriter:	Not less than 410,781,567 Offer Shares and not more than 414,361,567 Offer Shares, being the number of the Offer Shares, less the aggregate number of the Offer Shares to be taken up by China Oil under the Undertaking
Number of Shares in issue upon completion of the Open Offer:	Not less than 1,177,134,856 Shares and not more than 1,184,294,856 Shares

As at the Latest Practicable Date, the Company has 3,580,000 outstanding Options entitling the holders thereof to subscribe for 3,580,000 Shares. Save for the Options, the Company has no other outstanding warrants, options or convertible securities as at Latest Practicable Date.

### **Qualifying Shareholders**

The Open Offer is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders, and (ii) the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders (if any). To qualify for the Open Offer, the Shareholders must at the close of business on the Record Date:

- (i) be registered on the register of members of the Company; and
- (ii) not be the Prohibited Shareholders.

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## LETTER FROM THE BOARD

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In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Registrar by 4:30 p.m. on 13 May 2011. The address of the Registrar is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

The invitation to subscribe for the Offer Shares to be made to the Qualifying Shareholders will not be transferable.

Save for China Oil which will take up 177,785,861 Offer Shares under the Undertaking, the Board has not received any information from any substantial Shareholders of their intention to take up the Offer Shares offered to them as at the Latest Practicable Date.

### **Closure of register of members**

The register of members of the Company will be closed from 16 May 2011 to 20 May 2011, both dates inclusive, to determine the eligibility of the Open Offer. No transfer of Shares will be registered during this period.

### **Subscription Price**

The Subscription Price is HK\$0.1 per Offer Share, payable in full on application. The Subscription Price represents:

- (i) a discount of approximately 62.26% to the closing price of HK\$0.265 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 45.36% to the theoretical ex-entitlement price of approximately HK\$0.183 per Share based on the closing price of HK\$0.265 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 64.79% to the average of the closing prices of HK\$0.284 per Share for the last five consecutive trading days including and up to the Last Trading Day;
- (iv) a discount of approximately 57.63% to the closing price of HK\$0.236 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 29.87% to the net asset value per Share of approximately HK\$0.077 based on the unaudited consolidated financial statements of the Group as at 31 December 2010 and the number of Shares in issue as at the Latest Practicable Date.

The net Subscription Price per Offer Share (after deducting all relevant expenses) will be approximately HK\$0.096.

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## LETTER FROM THE BOARD

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The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the current market conditions. In order to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Directors (including the independent non-executive Directors) consider that the proposed discount of the Subscription Price to the market price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (including the independent non-executive Directors) consider the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Company will send the Prospectus to the Prohibited Shareholders for their information only and the Company will not send the Application Form to the Prohibited Shareholders.

### **Status of the Offer Shares**

The Offer Shares (when allotted, fully paid and issued) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

### **Certificates of the Offer Shares**

Subject to fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted on or before 20 June 2011 to those Qualifying Shareholders who have accepted and (where applicable) applied for, and paid for the Offer Shares by ordinary post at their own risk.

### **Fractional entitlement to the Offer Shares**

No fractional entitlements or allotments are expected to arise as a result of the Open Offer.

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## LETTER FROM THE BOARD

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### **Rights of the Overseas Shareholders**

If, at the close of business on the Record Date, a Shareholder's address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer as the Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong. The Board will make enquiries to its overseas lawyers as to whether the issue of Offer Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange pursuant to the GEM Listing Rules. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient not to offer the Offer Shares to such Overseas Shareholders, no provisional allotment of Offer Shares will be made to such Overseas Shareholders. Accordingly, the Open Offer will not be extended to the Prohibited Shareholders.

As at the Latest Practicable Date, the Company has Shareholders with their addresses on the register of members in the British Virgin Islands. The Open Offer will be extended to the Overseas Shareholders with registered addresses in the British Virgin Islands. The Prospectus Documents will be sent to each of such Overseas Shareholders.

In the event that there are new Overseas Shareholders in other overseas jurisdictions on or before the Record Date, the Board will make appropriate enquiries to its overseas lawyers in these overseas jurisdictions in respect of the Open Offer as mentioned above.

### **Application for excess Offer Shares**

The Company will not make available for subscription by the Qualifying Shareholders by means of excess application of any excess Offer Shares. Any Offer Shares not taken up by the Qualifying Shareholders, and the Offer Shares to which the Prohibited Shareholders would otherwise have been entitled to under the Open Offer, will not be available for subscription by other Qualifying Shareholders by way of excess application and will be taken up by the Underwriter.

The Directors hold the view that the Open Offer allows the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and to participate in the future growth and development of the Group. After arm's length negotiations with the Underwriter, and taking into account that the related administration costs will be less in the absence of excess applications, the Directors consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Shareholders.

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## LETTER FROM THE BOARD

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### Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. The Offer Shares will have a board lot size of 16,000 Shares per board lot. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty (if any) in Hong Kong and any other applicable fees and charges in Hong Kong.

Subject to the granting of listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Offer Shares may be settled through CCASS. You should seek advice of your stock broker or other professional adviser for details of those settlement arrangements and how such arrangements will affect your rights and interests.

### UNDERWRITING ARRANGEMENT

#### Underwriting Agreement

<b>Date:</b>	4 April 2011
<b>Underwriter:</b>	Ever-Long Securities Company Limited
<b>Number of Offer Shares underwritten:</b>	Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite the Offer Shares (other than the Offer Shares agreed to be taken up under the Undertaking) which have not been taken up. Accordingly, the Open Offer is fully underwritten.

To the best of the Directors' knowledge, information and belief, the Underwriter and its ultimate beneficial owners are Independent Third Parties.

The Underwriter shall be entitled to an underwriting commission of 3.5% of the aggregate Subscription Price in respect of the actual number of the Offer Shares less the number of the Offer Shares taken up by China Oil under the Undertaking. The Company will also reimburse the Underwriter reasonable legal fees and other reasonable expenses in respect of the Open Offer.

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## LETTER FROM THE BOARD

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### **Undertaking given by PetroAsian**

PetroAsian has given the Undertaking under the Underwriting Agreement in favour of the Company and the Underwriter (i) to procure the subscription of the 177,785,861 Offer Shares for which China Oil is entitled pursuant to the Open Offer; (ii) that the 177,785,861 Shares registered in the name of and beneficially owned by China Oil will remain registered in the name of and beneficially owned by China Oil up to and including the Latest Time for Termination; (iii) that PetroAsian will remain the ultimate legal and beneficial owner of the entire issued share capital of China Oil up to and including the Latest Time for Termination; and (iv) save for the Offer Shares to be acquired under the Undertaking, it will not and shall procure that its nominees, any other companies controlled by it shall not, without first having obtained the prior written consent of the Underwriter and the Company, transfer or otherwise dispose of or acquire any Share or any interest therein between the date of the Underwriting Agreement and the Latest Time for Termination.

### **Undertaking given by Mr. Poon Sum and Mr. Poon Sau Tin**

Pursuant to the terms of the Sale and Purchase Agreement, upon completion of the Sale and Purchase Agreement, the Company will issue the Convertible Bonds and the Warrants to Mr. Poon Sum and Mr. Poon Sau Tin.

Mr. Poon Sum and Mr. Poon Sau Tin have also given an irrevocable undertaking that they will not (i) exercise any conversion rights attaching to the Convertible Bonds on or before the Record Date or otherwise to convert part or the whole of the Convertible Bonds into Shares on or before the Record Date; and (ii) exercise any subscription rights attaching to the Warrants on or before the Record Date or otherwise to subscribe for part or the whole of the Warrant Shares on or before the Record Date.

### **Undertaking given by the Underwriter**

The Underwriter (for itself and on behalf of the sub-underwriter(s)) has undertaken to the Company that: (i) the Underwriter and/or the sub-underwriter(s) will not trigger a mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers on the part of the Underwriter and/or the subunderwriter(s) in respect of performing its/their obligations under the Underwriting Agreement; and (ii) none of the Underwriter, the subunderwriter and the subscribers procured by them will be a substantial Shareholder holding 10% or more shareholding in the Company.



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## LETTER FROM THE BOARD

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### Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (a) in the sole and absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
  - (iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the sole and absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or

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## LETTER FROM THE BOARD

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- (c) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or
- (e) the Prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date thereof been publicly announced or published by the Company and which may in the sole and absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to accept the Offer Shares provisionally allotted to it,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination and thereupon the obligations of all parties under the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

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## LETTER FROM THE BOARD

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### Conditions of the Open Offer

The Open Offer is conditional upon:

- (a) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the GEM Listing Rules and the Companies Ordinance;
- (b) the posting of the Prospectus Documents to Qualifying Shareholders and the posting of the Prospectus if required by the GEM Listing Rules, and a letter to the Prohibited Shareholders, if any, for information purpose only, explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (c) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Offer Shares by no later than the first day of their dealings;
- (d) compliance with and performance of all the undertakings and obligations of the Company under the Underwriting Agreement;
- (e) compliance with and performance of all the undertakings and obligations of PetroAsian under the Undertaking of the Underwriting Agreement; and
- (f) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) (such vote shall be taken by way of poll) to approve the Open Offer.

The conditions precedent are incapable of being waived. If the conditions precedent are not satisfied in whole or in part by the Company by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

### WARNING OF THE RISK OF DEALINGS IN THE SHARES

**Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed.**

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## LETTER FROM THE BOARD

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Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that the Shares will be dealt in on an ex-entitlement basis commencing from 12 May 2011 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer are subject are fulfilled (which is expected to be at 4:00 p.m. on 14 June 2011), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

### REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Group is principally engaged in development, provision and sales of mobile internet communication telecommunications and related services.

The gross proceeds from the Open Offer will not be less than approximately HK\$58.86 million and not more than approximately HK\$59.21 million. The net proceeds from the Open Offer after deducting all relevant expenses are estimated to be not less than approximately HK\$56.36 million but not more than approximately HK\$56.71 million, representing a net Subscription Price of approximately HK\$0.096 per Offer Share.

The Board intends to apply such proceeds from the Open Offer as follows:

- approximately HK\$40 million for existing and potential mobile telecommunications related businesses (including the proposed acquisition of 70% equity interests in 央廣迅龍(北京)通訊科技有限公司 (Yangguang Xunlong (Beijing) Communication Technology Company Limited<sup>#</sup>) (“Yangguang Xunlong”) under the non-legally binding memorandum of understanding dated 28 February 2011 entered into between a wholly-owned subsidiary of the Company and an Independent Third Party);
- not more than HK\$10 million, where appropriate and as a back-up facility, for the property development projects in China after acquiring Best Team International Investment Limited (“Best Team”); and
- the remaining balance for general working capital purpose.

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## LETTER FROM THE BOARD

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Best Team is a company incorporated in Hong Kong with limited liability and principally engaged in investment holding. After completion of the reorganisation before completion of the acquisition of Best Team, the direct wholly-owned subsidiary of Best Team will hold certain equity interests of the two PRC property development projects companies, namely Yangdong Fuli and Yangjiang Yonglian, which are engaged in the property development business in the PRC. Yangdong Fuli owns Yangdong Land and is developing Yangdong Properties. Yangjiang Yonglian owns Yangjiang Land and is developing Yangjiang Properties. As at the Latest Practicable Date, Yangdong Properties were under construction and a number of its property units were being pre-sold to customers. Yangjiang Properties have yet to commence construction.

The consideration of HK\$65,000,000 for the sale and purchase of the entire share capital of Best Team shall be settled by Gold Continental in the following manner:

- (a) as to HK\$9,500,000 was paid by Gold Continental to the vendors in cash as the deposit and part payment of the consideration on the date of the agreement for the sale and purchase of Best Team;
- (b) as to HK\$20,500,000 shall be paid by Gold Continental to the vendors in cash at completion;
- (c) as to HK\$33,000,000 shall be satisfied by Gold Continental procuring the Company to issue the Convertible Bonds to the vendors at completion; and
- (d) as to HK\$2,000,000 shall be satisfied by Gold Continental procuring the Company to issue the Warrants to the vendors at Completion.

The aggregate of the remuneration payable to and benefits in kind receivable by the directors of the Best Team will not be varied in consequence of the acquisition by Gold Continental.

Yangguang Xunlong is a company established in the PRC and principally engaged in the provision of high quality financial news produced by Broadcasting Corporation of China via mobile networks directly to mobile phone handhelds. The target customers of the services are white collar and high-end mobile handheld users in 31 provinces and cities. The services provide high value adding comprehensive finance and economic news with localised content to the customers.

The consideration for the proposed acquisition of Yangguang Xunlong shall be subject to further negotiations between Golden Kingtex and the vendor and shall be satisfied by Golden Kingtex: (i) in cash; (ii) by procuring the Company to issue Shares, credited as fully paid; (iii) by procuring the Company to issue convertible bonds; (iv) by procuring the Company to issue promissory note; or (v) a combination of any of the above.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, no formal sale and purchase agreement has been entered into by Golden Kingtex in relation to the sale and purchase of 70% equity interests in Yangguang Xunlong.

The details of the proposed acquisition of Best Team International Investment Limited and the proposed acquisition of 70% equity interests in Yangguang Xunlong were set out in the announcements of the Company dated 15 February 2011 and 28 February 2011 respectively.

The estimated expenses in relation to the Open Offer, including financial, legal and other professional advisory fees, underwriting commission, printing and translation expenses of approximately HK\$2.5 million will be borne by the Company. Having considered other fund raising alternatives for the Group, such as bank borrowings and placing of new Shares, and taking into account the benefits and costs of each of the alternatives, the Open Offer allows the Group to strengthen its capital base without facing the increasing interest rates.

The Board has considered the possibility of rights issue instead of Open Offer which allows Shareholders to trade the nil-paid rights. Due to the tight time schedule, the Board considers that the trading of nil paid rights will delay the process of fund raising on a timely basis. Given the additional administrative costs and expenses to be borne by the Company in arranging trading arrangement of the nil-paid rights and additional time for trading of nil paid rights shares, the Board considers that the Open Offer is more time and cost effective and a better option.

Taking into the account the above and that the Open Offer offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so, the Directors (including the independent non-executive Directors) consider that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

### **Adjustments to Options**

As at the Latest Practicable Date, the Company has 3,580,000 outstanding Options entitling the holders thereof to subscribe for 3,580,000 Shares. Adjustments to the exercise prices and numbers of the outstanding Options may be required under the relevant terms of the instrument in relation to the Options or the share option scheme of the Company. The auditors of the Company will be appointed to certify the necessary adjustments, if any, to the exercise prices and numbers of the outstanding Options. Further announcement will be made by the Company in this regard.

## LETTER FROM THE BOARD

### FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any other fund raising activities in the past twelve months before the date of the Announcement:

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
4 November 2010	Placing of up to 90,000,000 new Shares	HK\$17.5 million	General working capital	General working capital

### EFFECTS ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structures of the Company immediately before and after the completion of the Open Offer are set out below (assuming that no Shares will be issued and allotted as a result of the exercise of the rights attaching to the outstanding Options on or before the Record Date):

	As at the Latest Practicable Date		Immediately after completion of the Open Offer (assuming no Qualifying Shareholders except for China Oil take up his/her/its entitlements under the Open Offer)		Immediately after completion of the Open Offer (assuming all Qualifying Shareholders take up his/her/its entitlements under the Open Offer)	
	<i>No. of Shares</i>	<i>Approximate percentage</i>	<i>No. of Shares</i>	<i>Approximate percentage</i>	<i>No. of Shares</i>	<i>Approximate percentage</i>
<b>Directors</b>						
Dr. Chan Chung (Note 1)	19,224,452	3.27%	19,224,452	1.63%	38,448,904	3.27%
Mr. Chan Wai Kwong, Peter (Note 1)	108,036	0.02%	108,036	0.01%	216,072	0.02%
<b>Substantial Shareholders</b>						
China Oil	177,785,861	30.21%	355,571,722	30.21%	355,571,722	30.21%
Vodatel Information Limited (Note 2)	77,709,696	13.20%	77,709,696	6.60%	155,419,392	13.20%
Ever Champion Trading Limited (Note 3)	48,776,000	8.29%	48,776,000	4.14%	97,552,000	8.29%
<b>Public Shareholders</b>						
Underwriter (Note 4)	–	–	410,781,567	34.90%	–	–
Other public Shareholders	264,963,383	45.01%	264,963,383	22.51%	529,926,766	45.01%
Total	<u>588,567,428</u>	<u>100.00%</u>	<u>1,177,134,856</u>	<u>100.00%</u>	<u>1,177,134,856</u>	<u>100.00%</u>

Notes:

- Dr. Chan Chung and Mr. Chan Wai Kwong, Peter are executive Directors.

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## LETTER FROM THE BOARD

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2. Vodatel Information Limited is a direct and wholly owned subsidiary of VDT Mobile Holdings Limited which is a direct and wholly owned subsidiary of Vodatel Holdings Limited, a direct and wholly owned subsidiary of Vodatel Networks Holdings Limited (“Vodatel”). Vodatel is a company incorporated in Bermuda whose shares are listed on GEM (Stock code: 8033).
3. Ever Champion Trading Limited is an investment holding company incorporated in the British Virgin Islands, the ultimate beneficial owner of which is Ms. Lo Yuk Yee.
4. The Underwriter (for itself and on behalf of the sub-underwriter(s)) has undertaken to the Company that: (i) the Underwriter and/or the sub-underwriter(s) will not trigger a mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers on the part of the Underwriter and/or the sub-underwriter(s) in respect of performing its/their obligations under the Underwriting Agreement; and (ii) none of the Underwriter, the subunderwriter(s) and the subscribers procured by them will be a substantial Shareholder holding 10% or more shareholding in the Company.

**Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Open Offer are subject to various factors, including the results of acceptance of the Open Offer.**

Sufficient public float will be maintained prior to and immediately after the completion of the Open Offer in compliance with Rule 11.23(7) of the GEM Listing Rules by the Company.

### **CHANGE IN BOARD LOT SIZE**

Based on the closing price of HK\$0.265 on the Last Trading Day and the Subscription Price of HK\$0.1 for each Offer Share under the Open Offer, the theoretical ex-entitlement price of each Share will be approximately HK\$0.183 and the theoretical value of each board lot of 8,000 Shares upon completion of the Open Offer will be approximately HK\$1,460.

In order to increase the value of each board lot of the Shares so that the value of each board lot of the Shares will not be less than HK\$2,000, as well as to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the Board proposed to change the board lot size for trading of the Shares from 8,000 to 16,000 on 22 June 2011 after the Open Offer having become unconditional. The change in board lot size will not result in any change in the relative rights of the Shareholders. The Board is of the opinion that the change in board lot size is in the interests of the Company and its Shareholders as a whole.



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## LETTER FROM THE BOARD

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### ODD LOT TRADING ARRANGEMENTS

To alleviate the difficulties in trading odd lots of the Shares arising from the change in board lot size of the Shares, the Company has appointed Ever-Long Securities Company Limited (“Ever-Long”) as an agent to provide matching services to those Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from 22 June 2011 to 13 July 2011 (both dates inclusive). Holders of the Shares in odd lots represented by the existing share certificates for the Shares who wish to take advantages of this facility either to dispose of their odd lots of the Shares or to top-up their odd lots to a full new board lot may directly or through their broker contact Mr. Loong of Ever-Long at 18/F., Dah Sing Life Building, 99-105 Des Voeux Road Central, Hong Kong (telephone: (852) 2815 3522) during such period. Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

All existing share certificates in board lots of 8,000 Shares will continue to be evidence of entitlement to the Shares and be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing shareholdings will be issued as a result of the change in board lot size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 8,000 Shares to new share certificates in board lot size of 16,000 Shares is necessary. As from 22 June 2011, any new certificate of the Shares will be issued in new board lot size of 16,000 Shares (except for odd lots or where the Shareholder(s) otherwise instruct(s)).

### FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in development, provision and sale of mobile internet telecommunications and related services.

With the global economic environment still unstable and uncertainties on the PRC government policies, adjustment of property sector in the PRC remains possible. Nevertheless, with the continuing optimistic outlook of the PRC macro-economy, stable increase in resident income, speedy development of urbanization, the Group is optimistic about the PRC property market prospect.

The Company issued an announcement on 15 February 2011 with reference to an acquisition of certain properties in the PRC. It will provide the Group with access of funds from the sale of the property units from the development of the Yangdong properties. The Directors expect that the development of the Yangdong properties and the Yangjiang properties will provide the Group with a steady income source in the coming years.

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## LETTER FROM THE BOARD

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The Group will continue with its existing development, provision and sale of mobile internet communication and telecommunications, and related services. To tap into the property development business, the Group expects to improve in its overall profitability. The Group believes that such strategic move will create greater value for its shareholders.

In view of the continuation of the existing business, it can be referred to the latest memorandum of understanding, dated 28 February 2011, entered into between the Group and an Independent Third Party regarding the possible acquisition of 70% of the entire registered and paid up capital of Yangguang Xunlong. Yangguang Xunlong is engaged in the provision of high quality financial news produced by China National Radio via mobile networks directly to mobile phone handhelds.

The Company will continue to explore suitable target(s) for possible acquisition and/or cooperation opportunities so as to enhance its profitability. However, it is imperative to point out that the proposed acquisition of Yangguang Xunlong may or may not proceed depending on, but not limited to the results of a due diligence on Yangguang Xunlong, the price negotiations and/or other relevant factors.

### **RISK FACTORS**

The Directors set out below the risk factors of the Group for the Shareholders' attention. The Directors believe that there are certain risks involved in the Group's operations, including:

#### **Risks relating to the Group's business**

##### ***Business risk relating to the Group***

- (1) The provision of mobile valued added service industry in which the Group is operating is subject to competition and the success of the Group will depend on its capacity and capability to expand its market share and to secure contracts from its potential customers. If the Group fails to maintain its competitiveness against other competitors, this will affect the profitability and market share of the Group.
- (2) The global financial recession in 2009 and 2010 has affected the consumption of the general public and potential customers of the Group, which, in turn, may affect the turnover and profitability of the Group as a result of the global economic downturn and continued economic recession.

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## LETTER FROM THE BOARD

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- (3) The Group is in negotiations with an independent third party in relation to the possible acquisition of financial news service in PRC. There is no certainty that the possible acquisition will become materialized. This may affect the future business development of the Group.

### *Financial risks relating to the Group*

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business.

These risks are limited by the Group's financial management policies and practices as described below.

#### *(a) Credit risk*

The Group's credit risk is limited primarily attributable to trade and other receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The credit risk on bank deposits is limited because the counterparties are banks with high credit ratings.

#### *(b) Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants and to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

#### *(c) Interest rate risk*

The Company's interest rate risk arises primarily from financial assets and deposits at fixed rates exposed to fair value interest rate risk.

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## LETTER FROM THE BOARD

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*(d) Foreign currency risk*

By assessing the foreign currency risk, the effect arising from a reasonable possible changes in the exchange rates of Euros, Renminbi, and Great British Pounds against Hong Kong dollars in the next twelve months is not material to the financial results of the Group, on the basis that all other variables remain constant.

### **Risks relating to the Group's industry**

#### ***Intense competition***

The market for mobile valued added services solutions in which the Group operates are characterized by an increasing number of entrants because of the relative low set-up costs. Many of the Group's competitors have a operating history in the market, greater brand recognition, larger customer base and significantly greater financial and marketing resources. Such present or future competitors may provide products and services that have performance, price or other advantages over those offered by the Group. There is no assurance that the Group will be able to compete successfully against the current or future competitors.

#### ***Rapid technological changes***

The mobile phone industry is characterized by its fast evolving nature and the Group needs to maintain an edge in technology over its competitors to maintain competitiveness. If the Group fails to keep up with the most up-to-date technology, the Group may become less competitive and the profitability of the Group may be adversely affected.

### **Risks relating to politics, economics and regulations**

The business operations of the Group are primarily based in the PRC and Hong Kong. Accordingly, the Group's operating results, financial position and prospects could be adversely affected by economic, political and legal developments in these jurisdictions. As a result of the financial tsunami, there is no assurance that economic, political and legal developments in these jurisdictions will not be adversely affected. If there is any material adverse change in the general economic, political and legal developments in these jurisdictions, the Group's operations and financial position may be adversely affected.

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## LETTER FROM THE BOARD

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### **Risks relating to the Share price and Shareholders' shareholdings**

#### ***The Share price may be volatile***

The price and trading volume of the Shares will be determined in the market place and may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows, changes in or challenges to its business, announcements of new investments or acquisitions, the depth and liquidity of the market for the Shares, investors' perceptions of the Group and general political, economic, social and market conditions both globally and in the PRC or Hong Kong could cause the market price of the Shares to change substantially.

#### ***Shareholders' shareholding may be diluted as a result of future equity fundraising***

The Group may need to raise additional funds in the future to finance its expansion or for other reasons. If additional funds are raised through the issuance by the Company of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership of individual shareholders will decline. Any such new securities may have preferential rights or options that favour their holders over holders of the Shares, to the extent permitted by law, exchange rules and the Company's constitutive documents.

### **GEM LISTING RULE IMPLICATIONS**

As the Open Offer will increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the date of the Announcement, the Open Offer is subject to approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of Rules 10.39, 10.39A and 10.39B of the GEM Listing Rules. China Oil, being the controlling Shareholder, and its associates shall abstain from voting in respect of the 177,785,861 Shares held by them, representing approximately 30.21% of the issued share capital of the Company as at the Latest Practicable Date, in favour of the resolution relating to the Open Offer.

### **GENERAL**

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Open Offer are fair and reasonable and whether the Open Offer are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser. In this connection, the Independent Financial Adviser has been appointed to advise the independent board committee and the Independent Shareholders as to whether the terms of the Open Offer are fair and reasonable.

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## LETTER FROM THE BOARD

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### EGM

A notice convening the EGM at Suite 1006, 10/F., Ocean Centre, Harbour City, Tsimshatsui, Kowloon, Hong Kong on Friday, 20 May 2011 at 5:00 p.m. is set out on pages 85 to 87 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting thereof (as the case may be) should you so desire.

### RECOMMENDATION

The Directors believe that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM. You are advised to read carefully the letter from the Independent Board Committee regarding the Open Offer on page 36 of this circular and the letter from the Independent Financial Adviser set out from page 37 to page 62 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 37 to 62 of this circular, considers that the terms of the Open Offer are fair and reasonable insofar as the Independent Shareholders are concerned.

### FURTHER INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,  
By Order of the Board  
**Mobile Telecom Network (Holdings) Limited**  
**Siu King Nin, Peter**  
*Executive Director*

<sup>#</sup> *the English translation of Chinese names or words in this circular, where indicated, are included for information purpose only and should not be regarded as the official English translation of such Chinese names or words.*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Open Offer.*



### **MOBILE TELECOM NETWORK (HOLDINGS) LIMITED**

**流動電訊網絡(控股)有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8266)**

4 May 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**OPEN OFFER OF NOT LESS THAN 588,567,428 OFFER SHARES AND  
NOT MORE THAN 592,147,428 OFFER SHARES ON THE BASIS OF  
ONE OFFER SHARE FOR EVERY  
SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 4 May 2011 (the “Circular”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Open Offer are fair and reasonable insofar as the Independent Shareholders are concerned. Cinda has been appointed as the Independent Financial Adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to you and us on pages 37 to 62 of the Circular, we are of the opinion that the Open Offer is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Open Offer.

Yours faithfully,

For and on behalf of the Independent Board Committee

<b>Mr. Chiu Wai Piu</b>	<b>Mr. Cheung Kwan Hung, Anthony</b>	<b>Mr. Heung Chee Hang, Eric</b>
<i>Independent non-executive Director</i>	<i>Independent non-executive Director</i>	<i>Independent non-executive Director</i>

\* For identification purpose only

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from Cinda International Capital Limited which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.*



4 May 2011

*To: The Independent Board Committee and  
the Independent Shareholders of  
Mobile Telecom Network (Holdings) Limited*

Dear Sir/Madam,

**OPEN OFFER OF NOT LESS THAN 588,567,428 OFFER SHARES AND  
NOT MORE THAN 592,147,428 OFFER SHARES  
ON THE BASIS OF  
ONE OFFER SHARE FOR EVERY SHARE  
HELD ON THE RECORD DATE**

### INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company in connection with the Open Offer and details of which are contained in the letter from the Board (the “Letter from the Board”) set out in the circular (“Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires. The Board published by way of the Announcement, amongst other things, the proposed Open Offer of not less than 588,567,428 Offer Shares and not more than 592,147,428 Offer Shares at the Subscription Price of HK\$0.10 per Offer Share held by the Qualifying Shareholders on the Record Date and payable in full on acceptance, and subject to the satisfaction of the conditions of the Open Offer.

As the Open Offer will increase the issued share capital of the Company by more than 50% within the 12 month period immediately preceding the date of the Announcement, the Open Offer is subject to approval by the Independent Shareholders at the EGM by poll in accordance with the requirements of Rules 10.39, 10.39A and 10.39B of the GEM Listing Rules. China Oil, being the controlling Shareholder, and its associates shall abstain from voting in respect of the 177,785,861 Shares held by them, representing approximately 30.21% of the issued share capital of the Company as at the Latest Practicable Date, in favour of the resolution relating to the Open Offer.



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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An Independent Board Committee comprising Mr. Chiu Wai Piu, Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric, all being independent non-executive Directors, has been established to advise the Independent Shareholders on whether the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole. All the members of the Independent Board Committee have confirmed to the Company that they are independent with respect to the Open Offer and thus are suitable to advise the Independent Shareholders.

We do not, by this letter, warrant the merits of the above transactions, other than to form an opinion, for the purpose of the GEM Listing Rules. Our role as the independent financial adviser is to give our recommendation to the Independent Board Committee and the Independent Shareholders as to (i) whether the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole; and (ii) advise the Independent Shareholders on how to vote on the resolutions at the EGM in relation to the Open Offer.

### **BASIS OF OUR OPINION**

We have relied on the statements, information and representations contained or referred to in the Circular and the information provided and representations made to us by the Directors and the management of the Company. We have assumed that all the statements, information and representations contained or referred to in the Circular and all information provided and representations made by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were provided and made and will continue to be so at the date of the despatch of the Circular. We have no reason to doubt the truth, accuracy and completeness of the information provided and representations made to us by the Directors and the management of the Company. We consider that the information provided and representations made to us are sufficient for us to form a reasonable basis for our opinion. We are not aware of any reason to suspect any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps as required under Rule 17.92 of the GEM Listing Rules to enable us to reach an informed view and to justify our reliance on the information provided and representations made to us so as to form a reasonable basis for our opinion. The Directors have further confirmed that, having made all reasonable enquiries, and to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, incorrect or misleading. We have not, however, carried out any independent verification of the information provided and representations made to us by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

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# LETTER FROM INDEPENDENT FINANCIAL ADVISER

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## PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

We have taken into our consideration the following principal factors and reasons in arriving at our recommendation:

### 1) Background and reasons for the Open Offer

#### a) *Business and financial performance of the Group*

The Group is principally engaged in the development, provision and sale of mobile internet communication telecommunications and other related services in Hong Kong and other Asia Pacific countries.

We set out below a summary of the financial information as provided by the Company and extracted from the income statements and balance sheets of the Company for the two financial years ended 31 March 2009 and 2010 and for the two nine month periods ended 31 December 2009 and 2010 disclosed in its annual and quarterly financial reports.

<i>HK\$'000</i>	<b>Financial year ended</b>		<b>Nine months ended</b>	
	<b>31 March</b>		<b>31 December</b>	
<b>Income statement items</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Turnover	18,134	20,321	16,698	13,453
Telecom operators and content providers costs	(9,756)	(10,685)	(7,681)	(7,339)
Employment costs	(5,841)	(5,797)	(6,681)	(4,393)
Research and development expenses	(1,515)	(1,511)	(1,770)	(1,082)
Operating loss	(1,327)	(70)	(2,706)	(990)
(Loss)/profit attributable to equity holders of the Company	(679)	748	(2,225)	(145)

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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<i>HK\$'000</i>	As of		As of	
<b>Balance sheet items</b>	<b>31 March</b>	<b>2009</b>	<b>31 December</b>	<b>2009</b>
	<b>2010</b>		<b>2010</b>	
Non-current assets	9,032	8,455	9,887	8,932
Current assets	22,119	23,400	38,395	22,540
Cash and deposits				
with banks	10,178	19,781	33,929	18,589
Total assets	31,151	31,855	48,282	31,427
Current liabilities	4,266	4,558	5,433	4,442
Total liabilities	4,266	4,558	5,440	4,442
Capital and reserve				
attributable to equity				
holders of the Company				
Share capital	36,977	36,977	44,460	36,977
Reserves	(10,092)	(9,680)	(1,609)	(9,646)
Total Equity	26,885	27,297	42,851	27,331

*Source: the Company*

*Note:* the figures above are approximate and for illustration purpose only

### *Profitability*

For the nine months ended 31 December 2010, the Company reported revenue of approximately HK\$16.7 million compared to approximately HK\$13.5 million for the nine months ended 31 December 2009. The revenue of the Company increased by approximately HK\$3.2 million or 24.1% on the back of business expansion and progress made in the period under review. Notwithstanding the business expansion and progress, the Company reported operating losses of approximately HK\$2.7 million for the nine months ended 31 December 2010 compared to operating loss of approximately HK\$990,000 for the nine months ended 31 December 2009. The loss attributable to equity holders of the Company increased further by approximately HK\$2.1 million or 1434.5% to approximately HK\$2.2 million for the nine months ended 31 December 2010 from the loss of approximately HK\$145,000 for the nine

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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months ended 31 December 2009. The Directors contributed the significant increase in loss mainly 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. We note the telecom operators and content providers costs increased by 4.7% to approximately HK\$7.7 million, employment costs increased by 52.1% to approximately HK\$6.7 million and research and development expenses increased by 63.6% to approximately HK\$1.8 million during the period under review.

For the financial year ended 31 March 2010, the Company reported revenue of approximately HK\$18.1 million compared to approximately HK\$20.3 million for the previous financial year. The revenue of the Company decreased by approximately HK\$2.2 million or 10.8% on the back of weak performance in provision of mobile value added services (“MVAS”) amidst the global economic recession during the period under review. The Company reported operating losses of approximately HK\$1.3 million for the financial year ended 31 March 2010 compared to operating loss of approximately HK\$70,000 for the previous financial year. The Company turned to a loss and reported loss attributable to equity holders of the Company of approximately HK\$679,000 for the financial year 2010 compared to profit attributable to equity holders of approximately HK\$748,000 for the previous financial year.

For the nine months ended 31 December 2010, we note the profitability of the Company had worsened and loss attributable to equity holders of the Company increased further despite the increase in revenue.

### *Accumulated losses*

The Company reported accumulated losses attributable to equity holders of approximately HK\$66.1 million as of 31 March 2010 and approximately HK\$68.3 million as of 31 December 2010.

### *Cash flow requirements*

We note that the Company did not derive much cash from its operating activities for the two financial years ended 2009 and 2010. The Company reported net cash used in operating activities of approximately HK\$1.4 million for the financial year 2010 compared to net cash generated from operating activities of approximately HK\$258,000 from the previous financial year.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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We also note that the Company required cash for investing activities in connection with its business developments. For the financial year 2010, the Company utilized cash of approximately HK\$16.0 million for investing activities.

### *Five year financial summary*

<i>HK\$'000</i>	<b>Financial year</b>				
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Turnover	18,134	20,321	19,742	21,717	20,982
(Loss)/profit attributable to equity holders of the Company	(679)	748	382	7,849	(1,322)
Dividend paid	Nil	Nil	Nil	Nil	Nil
Net profit margin	N.A.	3.7%	1.9%	36.1%	N.A.

*Source: the Company*

*Note:* the figures above are approximate and for illustration purpose only

We note that the profitability of the Company fluctuated during the past five financial years. During which, the Company reported profit attributable to equity holders (“net profit”) for the three financial years 2007, 2008 and 2009 and the loss attributable to equity holders for the two financial years 2006 and 2010. We also note that net profit margins of the Company fluctuated and save that for financial year 2007, were of single digit. The Company did not declare or made dividend payment for the past five years. The provision of mobile valued added service industry in which the Group is operating is subject to competition and the profitability of the Company for the recent financial years and periods suggests that the Company has not been very successful in the industry.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### *Prospects*

The Company was subject to a mandatory offer that did not become unconditional and lapsed on 24 June 2010. Based on the offer document dated 3 June 2010, China Oil intends to continue with the existing principal businesses of the Group and does not intend to introduce any major changes to the existing operations and business of the Company immediately after the Offers. China Oil will conduct a more detailed review on the operations of the Group with a view to formulating a suitable business strategy for the Group and will explore other business opportunities and consider whether any assets and/or business acquisitions by the Group will be appropriate in order to enhance its growth.

Based on the quarterly financial report, we note that the Group has embarked more significantly on mobile application development. In particular, the Group has been refining MVAS to emphasize on application developments and mobile advertising. The Group is also exploring new business to complement the mobile business. The Group has been selected by China Telecom GD China to offer new sport and game value added services in Guangdong province in the PRC. For the mobile application business in the PRC, 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 and top breaking news on politics, current affairs, finance, entertainment, and sports information in the PRC. 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. Based on the quarterly financial report, we also note that the Company are participating in the operating of 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 movie value added services into mobile application with individual handset platform. In respect of 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. In respect of the interactive gaming service,

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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the Group plans to further expand their Mobilesurf platform to deliver content via the internet and to look for iPhone, Widget type of client application opportunities in the PRC. 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 has started to develop more widget applications with different handset manufacturers. In addition, the Group has licensed their 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.

We note the Company made headways on various fronts of its existing principal business activity namely, development, provision and sales of mobile internet communication telecommunications and related services and in this connection incurred investments in telecom operators and content providers costs, human resources and research and development.

We note in “Letter from the Board”, it is disclosed that the market for mobile valued added services solutions in which the Group operates are characterized by an increasing number of entrants because of the relative low set-up costs. Many of the Group’s competitors have an operating history in the market, greater brand recognition, larger customer base and significantly greater financial and marketing resources. Such present or future competitors may provide products and services that have performance, price or other advantages over those offered by the Group. There is no assurance that the Group will be able to compete successfully against the current or future competitors. Further, the mobile phone industry is characterized by its fast evolving nature and the Group needs to maintain an edge in technology over its competitors to maintain competitiveness. If the Group fails to keep up with the most up-to-date technology, the Group may become less competitive and the profitability of the Group may be adversely affected.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### *Proposed acquisitions announced by the Company*

#### Proposed acquisition of a financial news provider

The Company published, by way of announcement dated 28 February 2011, its intention to acquire 70% of the registered and paid up capital of Yangguang Xunlong (Beijing) Communication Technology Company Limited under a non-legally binding memorandum of understanding entered into between an Independent Third Party and a wholly owned subsidiary of the Company. According to the announcement, Yangguang Xunlong (Beijing) Communication Technology Company Limited is principally engaged in the provision of high quality financial news produced by Broadcasting Corporation of China via mobile networks directly to mobile phone handholds. The target customers of the services are white collar and high-end mobile handheld users in 31 provinces and cities in the PRC. The services provide high value adding comprehensive finance and economic news with localized content to the customers. The proposed acquisition, if it is to be proceeded further, will likely be settled by payment of cash, issue of new Shares or issue of promissory notes or a combination of the above.

The Directors consider that the proposed acquisition will likely bring in synergic effect to the existing business of the Group and will reinforce the marketing position of the Group in the mobile phone content provider business sector. We note the target of the proposed acquisition engaged in provision of contents for mobile devices targeting white collar and high-end mobile handheld users in 31 provinces and cities in the PRC. In this regard, we concur with the Directors' view that the proposed acquisition, if it is to be proceeded to completion, will likely reinforce the existing business of the Group and its marketing position in the mobile phone content provider business sector.



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### Proposed acquisition of property development project companies

The Company informed, by way of announcements dated 5 January 2011 and 15 February 2011 and the “Letter from the Board”, its intention to acquire the entire issued share capital of Best Team International Investment Limited which indirectly hold equity interests of the two property development projects companies in the PRC, namely (i) Yangdong Fuli which was interested in 77 parcels of land with a total site area of approximately 31,823.60 square metres located at East Zone and West Zone, Yangdong Garden, Yangdong County, Yangjiang City, Guangdong Province, the PRC; and (ii) Yangjiang Yonglian which was interested in two parcels of land with a total site area of approximately 16,128 square metres located at Wumaling, Longtao, Jiangcheng District, Yangjiang City, Guangdong Province, the PRC. The property development project companies intended to carry out construction over the parcels of lands and develop residential properties such as villas and commercial properties for sale. The proposed acquisitions will be considered as major and connected transactions as defined under the GEM listing rules and will likely be settled by a combination of cash, issue of convertible bond and warrants.

The Directors have been identifying investment opportunities for the expansion in order to diversify its existing business and maximize the return of the Shareholders. Despite the global economic environment is still unstable and the uncertainties arising from the PRC government policies in respect of the property sector in the PRC, the Directors continue to be optimistic about the outlook of the PRC macro-economy, the stable increase in resident income, the speedy development of urbanization and the PRC property market. The Directors consider that the proposed acquisition represents a good opportunity for the Group to tap into the growing PRC property development market and also allow it to diversify its existing businesses.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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We note the Company has taken up steps to diversify its scope of business and foray into the property development industry in the PRC, which is considered to be capital intensive in nature. The Company has no prior experience in property development in the PRC but has indicated an intention to retain certain management staff in Best Team International Investment Limited and recruit employees with relevant experience in the property development in the PRC for the purpose of the proposed new line of business. Nonetheless, the proposed acquisition, if it is to be proceeded to completion, will bring in new prospects of business expansion in a growing sector in the PRC and will allow the Company to diversify its business into a new industry and perhaps alleviate its dependence on its existing principal business activity namely, the development, provision and sale of mobile internet communication telecommunications and related services, from which the Company has not derived much profit during the recent financial years. In this regard, we concur with the Directors' view that the proposed acquisition represents an opportunity for the Group to tap into the growing PRC property development market and to diversify its scope of business and source of revenue.

***b) Reasons for the Open Offer***

The net proceeds from the Open Offer after deducting all relevant expenses are estimated to be not less than approximately HK\$56.36 million but not more than approximately HK\$56.71 million. According to the "Letter from the Board" in this Circular, the Board intends to apply the net proceeds from the Open Offer for existing and potential mobile telecommunications related businesses and, where appropriate, the property development projects in the PRC after acquiring Best Team International Investment Limited and payment of the cash consideration for the proposed acquisition of 70% equity interests in Yangguang Xunlong (Beijing) Communication Technology Company Limited under the non-legally binding memorandum of understanding dated 28 February 2011 entered into between a wholly owned subsidiary of the Company and an Independent Third Party. The Group will apply the remaining proceeds for general working capital. The Directors considered the Open Offer facilitates the completion of the proposed acquisitions announced recently by the Company and is in line with the Company's business expansion and diversification plans.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Having considered other fund raising alternatives for the Group, such as bank borrowings and placing of new Shares, and taking into account the benefits and costs of each of the alternatives, the Open Offer allows the Group to strengthen its capital base without facing the increasing interest rates. Taking into the account that the Open Offer offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so, the Directors (including the independent non-executive Directors) consider that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save as the placing of up to 90 million shares completed in November 2010 as disclosed in the “Letter from the Board”, the Company has not conducted any other fund raising activities in the past twelve months before the date of the Announcement. We note the placing of new Shares was made at price of HK\$0.2 per Share, representing 100% premium to the Subscription Price.

The cash and bank balances of the Company were approximately HK\$33.9 million (including the net proceeds from the placing referred to above) as of 31 December 2010. Nonetheless, we note the financial performance of the Company had worsened and reported loss attributable to equity holders of approximately HK\$679,000 for the financial year ended 31 March 2010, loss of approximately HK\$2.2 million for the nine months ended 31 December 2010 and sustained accumulated loss of approximately HK\$68.3 million as of 31 December 2010. Further, the Company reported net cash used in operating activities of approximately HK\$1.4 million for the financial year ended 31 March 2010. We are of the view that the Open Offer would enable the Group to strengthen its capital base and financial position for future investments and acquisitions. The net proceeds from the Open Offer would provide additional funding to the Company therefore allowing the Group to react promptly to investment opportunity should it present itself in the future. The Group, with adequate funding or access to financial resources, could afford much flexibility and bargaining power in negotiating better terms for an investment or acquisition. In fact, the Company had made announcements recently about its intentions to acquire equity interests in a financial news provider targeting high-end mobile handheld users and property development project companies in the PRC and the completions of which require, among other things, the availability of funding resources for the settlement of the considerations of the respective proposed acquisitions. Based on the announcements published recently by the Company, the consideration payable by the Company for the proposed acquisition of the property development project companies in the PRC were approximately HK\$65.0 million, of which approximately HK\$30.0 million would be settled by payment of cash. The consideration payable by

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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the Company for the proposed acquisition of the financial news provider in the PRC had yet to be determined but the settlement of which could involve payment of cash. In addition, adequate funding will be required to manage and operate the businesses contemplated under the proposed acquisitions and in particular, for the property development business that is considered to be capital intensive in nature. We consider there is a notable funding requirement and Open Offer will provide for the settlement of considerations for such acquisitions and the funding requirements of the enlarged Company. In the event that the proposed acquisitions do not complete, we consider the immediate requirement for substantial outlay of cash resources may be alleviated. Nonetheless, the availability of ample cash resources will allow the Company to react promptly to other investment opportunities and to have the necessary flexibility and bargaining power for negotiating better terms for such opportunities. We concur with the Directors' view that the Open Offer is beneficial to the capital base and financial position of the Company.

We note there will be a notable dilution of the shareholding of the Independent Shareholders who do not take up the Offer Shares. Nonetheless, the Open Offer offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. In this regard, we concur with the Directors' view that the Open Offer provides funding resources and facilitates the completion of the proposed acquisitions announced recently by the Company which is in line with the Company's business expansion and diversification plans, and that all Qualifying Shareholders are given an equal opportunity to participate in the Open Offer and maintain their proportionate equity interest in the Company and, in this regard, are fairly treated under the Open Offer.

### 2) **Terms of the Open Offer**

#### *a) Basis of the offer*

Qualifying Shareholders will be offered to subscribe at Subscription Price for the Offer Share(s) of not less than 588,567,428 Offer Shares and not more than 592,147,428 Offer Shares (assuming full exercise of all outstanding Options prior to the Record Date) on the basis of one (1) Offer Share for every one (1) Share held by the Qualifying Shareholders on the Record Date and payable in full on acceptance and subject to the satisfaction of the conditions of the Open Offer.

The Offer Shares (when allotted and issued fully paid or credited as fully paid) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### *b) Subscription Price*

The Subscription Price is HK\$0.1 per Offer Share, payable in full on application. The Subscription Price represents:

- (i) a discount of approximately 62.26% to the closing price of HK\$0.265 per Share as quoted on Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 45.36% to the theoretical ex-entitlement price of approximately HK\$0.183 per Share based on the closing price of HK\$0.265 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 64.79% to the average of the closing prices of HK\$0.284 per Share for the last five consecutive trading days including and up to the Last Trading Day;
- (iv) a discount of approximately 57.63% to the closing price of HK\$0.236 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 29.87% to the net asset value per Share of approximately HK\$0.077 based on the unaudited consolidated financial statements of the Group as at 31 December 2010 and the number of Shares in issue as at the Latest Practicable Date.

According to the “Letter from the Board”, the Subscription Price was arrived at after arm’s length negotiation between the Company and the Underwriter with reference to, among other things, the current market conditions. In order to increase the attractiveness of the Open Offer to the Qualifying Shareholders, the Directors (including the independent non-executive Directors) consider that the proposed discount of the Subscription Price to the market price is appropriate. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (including the independent non-executive Directors) consider the Subscription Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Company will send the Prospectus to the Prohibited Shareholders for their information only and the Company will not send the application form to the Prohibited Shareholders.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### *c) Analyses of the Subscription Price*

In order to assess the fairness and reasonableness of the Subscription Price, we set out the following information for illustrative purpose:

#### *Review of Share price*

The highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each of the 13 months during the period commencing from 1 April 2010 up to and including 30 April 2011 (the “Review Period”) are shown as follows:

<b>Month</b>	<b>Approximate highest closing price per Share HK\$</b>	<b>Approximate lowest closing price per Share HK\$</b>	<b>Approximate average closing price per Share HK\$</b>
<b>2010</b>			
April	0.495	0.17	0.26
May	0.38	0.25	0.32
June	0.30	0.25	0.27
July	0.241	0.20	0.21
August	0.31	0.203	0.26
September	0.28	0.25	0.27
October	0.265	0.234	0.25
November	0.29	0.232	0.25
December	0.285	0.23	0.25
<b>2011</b>			
January	0.25	0.221	0.24
February	0.235	0.206	0.22
March	0.30	0.215	0.25
April	0.285	0.231	0.24

*Source: The Stock Exchange website*

*Note:* The figures are approximate and for illustration purpose only.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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During the Review Period, the average daily closing price of the Shares ranged from approximately HK\$0.21 to approximately HK\$0.32 per Share in each month. The trading in the Shares was suspended during the period between 21 April and 27 April 2010 (both days inclusive) and period between 24 May and 31 May 2010 (both days inclusive). The highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.495 per Share recorded on 28 April 2010 and HK\$0.17 per Share recorded on 1, 8 and 9 April 2010 during the Review Period. We note that the highest closing price of the Shares of HK\$0.495 represented a premium of more than 191% over the lowest closing price of the Shares of HK\$0.17.

We also note that the Subscription Price do not fall within this price range and the Subscription Price represents a discount of approximately 41.1% over the lowest closing price of HK\$0.17 per Share and a discount of approximately 79.8% below the highest closing price of HK\$0.495 per Share.

We note that it is a common market practice that the subscription price to offer shares under an open offer is set at discounts to the prevailing market prices of the shares in order to enhance the attractiveness of the open offer and to encourage shareholders to participate in it. In our case, the Subscription Price is lower than the prevailing market prices of the Shares is in line with general market practice and is acceptable.

### *Review on trading liquidity of the Shares*

<b>Month</b>	<b>Average daily trading volume</b> <i>Number of Shares</i>	<b>% of the average daily trading volume to total number of issued Shares</b>
<b>2010</b>		
April	9,500,626	1.61%
May	8,336,800	1.42%
June	2,851,238	0.48%
July	1,540,191	0.26%
August	4,643,818	0.79%
September	1,750,095	0.30%
October	944,600	0.16%
November	2,139,546	0.36%
December	1,216,277	0.21%

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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<b>Month</b>	<b>Average daily trading volume</b> <i>Number of Shares</i>	<b>% of the average daily trading volume to total number of issued Shares</b>
<b>2011</b>		
January	613,143	0.10%
February	666,444	0.11%
March	3,513,957	0.60%
April	2,029,789	0.34%

*Source: The Stock Exchange website*

*Notes:* Based on 588,567,428 Shares in issue on the Last Trading Day prior to the release of the Announcement.

The figures are approximate and for illustration purpose only.

The above table demonstrates that the average daily trading volume of the Shares per month was thin during the Review Period, with a range of approximately 0.10% to 1.61% of the total number of issued Shares. We note that trading in the Shares during the Review Period were inactive with average daily trading volume less than 2% of the Shares in issue.



# LETTER FROM INDEPENDENT FINANCIAL ADVISER

## *Comparison with other open offer transactions*

We have identified and reviewed, on a best effort basis, the open offer transactions of the companies listed on the GEM of the Stock Exchange (the “Comparables”) from 1 April 2010 to the 30 April 2011. It should be noted that the business nature, scale of operations and future prospects of the Company is not the same as that of the Comparables and as such, the Comparables may only be used to provide a general reference for open offer transactions of companies listed on the GEM of the Stock Exchange. The terms of the respective transactions are summarized in the table below:

Announcement date	Company name (Stock code)	Basis of entitlement (No of offer share(s) for no of share(s) held)	Underwriting commission (%)	Discount/ (Premium) of subscription price to closing price on last trading date (%)	Discount/ (Premium) of subscription price to theoretical ex-entitlement price (%)	Excess application
1 25 March 2011	Finet Group Limited (8317)	4 for 1	1.50	83.33	50.00	No
2 31 December 2010	Phoenitron Holdings Limited (8066)	1 for 10	0.00	89.71	46.20	No
3 15 October 2010	M Dream Inworld Limited (8100)	4 for 1	2.50	83.74	21.26	No
4 27 September 2010	China Primary Resources Holdings Limited (8117)	1 for 2	1.50	36.50	27.70	No
5 25 August 2010	Seamless Green China (Holdings) Limited (8150)	8 for 17	2.50	75.61	N/A	No
6 30 April 2010	Xin Lin Medical Information Technology Company Limited (8130)	1 for 4	N/A	17.36	14.38	No
7 28 April 2010	First China Financial Network Holdings Limited (8123)	1 for 5	2.50	37.63	9.09	Yes
		<b>Highest</b>	2.50	89.71	50.00	
		<b>Lowest</b>	0.00	17.36	9.09	
		<b>Average</b>	1.75	60.55	28.11	
	<b>The Company</b>	<b>1 for 1</b>	<b>3.50</b>	<b>62.26</b>	<b>45.21</b>	<b>No</b>

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*Source: the Stock Exchange website*

*Note:* N/A denotes the information is not available explicitly in the announcement published by the respective comparable company.

The completion of the open offer of Finet Group Limited has not been announced publicly as of the latest practicable date prior to the release of this letter.

The figures are approximate and for illustration purpose only.

The table above shows that the subscription price of the Comparables ranged between discounts of approximately 17.36% and approximately 89.71% to the respective closing price of their shares on the last trading day (the “LTD range”) prior to the release of their respective announcements. We note that, in our case, the discount of approximately 62.26% as represented by Subscription Price to the closing price of HK\$0.265 per Share on the Last Trading Day falls within the LTD range and are slightly higher than the mean discount of approximately 60.55% of the LTD range.

The subscription price of the Comparables ranged between discounts of approximately 9.09% to approximately 50.0% to the respective theoretical ex-entitlement price of their shares on the last trading day (“TEP range”) prior to the release of their respective announcements. We note that, in our case, the discounts of approximately 45.36% as represented by Subscription Price to the theoretical ex-entitlement price of HK\$0.183 per Share falls within the TEP range and are higher than the mean discount of approximately 28.11% of the TEP range.

The comparisons of subscription prices of the Comparables to their respective net tangible asset value of their shares ranged between premiums and discounts prior to the release of their respective announcements. We note that, in our case, the Subscription Price represents a premium of approximately 29.87% to the net tangible asset value per Share as of 31 December 2010 compared favourably to the open offers with subscription prices that were priced at discounts to the respective net tangible asset values per share of the Comparables.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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We are aware the discount as represented by the Subscription Price to the closing price of the Shares on the Last Trading Day depicts a deeper discount as compared to the mean of the LTD range and TEP range. Nonetheless, having considered (i) it is common for the listed companies on the GEM of the Stock Exchange to issue offer shares at a discount to the market price in order to enhance the attractiveness of an open offer transaction; (ii) the discount as represented by the Subscription Price to the closing price and theoretical entitlement price per Shares on the Last Trading Day falls within the LTD range and TEP Range respectively; (iii) the premium as represented by the Subscription Price to the net tangible asset value per Share as of 31 December 2010; (iv) the Group's business expansion and diversification plans and the proposed acquisitions announced recently by the Company and the funding requirement for the settlement of the respective considerations of the proposed acquisitions; (v) the Company reported loss attributable to equity holders for the financial year ended 31 March 2010 and the nine months ended 31 December 2010; and sustained accumulated losses of approximately HK\$68.3 million as of 31 December 2010; (vi) the Open Offer represents a valid funding source readily available to the Company for its utilization despite its less than profitable recent financial performance; (vii) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Offer Shares at the Subscription Price which represents discount to market price; and (viii) the possibility of participating in the future benefits which may be brought about by business expansion of the Group, we consider the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

We note that some of the open offers announced by companies listed on the GEM of the Stock Exchange are accompanied with the issue of bonus shares to shareholders who participate in such open offers. Nonetheless, it is not a regulatory requirement to make such an arrangement and that the discounts as represented by the Subscription Price to the closing prices of the Shares are attractive enough for Qualifying Shareholders to consider taking up the Offer Shares and as such, we consider the absence of the issue of bonus shares in this funding raising exercise is acceptable.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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We note that there will be no arrangement for application of Offer Shares by the Qualifying Shareholders in excess of their entitlements. The Qualifying Shareholders therefore will not be entitled to subscribe for any Offer Shares in excess of their entitlements. Given the number of the Comparables for which no arrangement for application of Offer Shares for excess application was made, the absence of arrangement for excess application for open offer is not considered an uncommon market practice. The absence of such arrangement will save costs which will otherwise be incurred by the administrative procedures for implementing the arrangement for excess application for the Open Offer. In view of the above, we consider that the absence of excess application under the Open Offer is fair and reasonable.

### *Underwriting arrangement*

The Open Offer is fully underwritten and is subject to the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. PetroAsian has given the Undertaking under the Underwriting Agreement in favour of the Company and the Underwriter (i) to procure the subscription of the 177,785,861 Offer Shares for which China Oil is entitled pursuant to the Open Offer; (ii) that the 177,785,861 Shares registered in the name of and beneficially owned by China Oil will remain registered in the name of and beneficially owned by China Oil up to and including the Latest Time for Termination; (iii) that PetroAsian will remain the ultimate legal and beneficial owner of the entire issued share capital of China Oil up to and including the Latest Time for Termination and among other things.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties. Pursuant to the Underwriting Agreement, the Underwriter will fully underwrite the Offer Shares (other than the Offer Shares agreed to be taken up under the Undertaking) subject to the terms and conditions set out in the said Underwriting Agreement. The Underwriter is entitled by notice in writing to the Company at any time prior to the Latest Time for Termination to terminate the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out under the section “Termination of Underwriting Agreement” in the Circular. If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Open Offer will not proceed. We consider that such provisions are on normal commercial terms and in line with market practice.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### *Underwriting commission*

The Underwriter will charge an underwriting commission of 3.5% of the aggregate Subscription Price for the Offer Shares they underwrite pursuant to the Underwriting Agreement. As advised by the Company, the underwriting commission is determined after arm's length negotiation between the Company and the Underwriter with reference to the prevailing market rates. The Directors consider that the underwriting commission is fair and reasonable to the Company and the Shareholders as a whole. We note that the underwriting commission of 3.5% is higher than the range of commission of the Comparables. There was an open offer announced recently in November 2010 by a company listed on the main board of the Stock Exchange for which the commission expected to be charged by the underwriters was 3.5%. Having considered the recent financial performances of the Company and the underwriting commission is determined after arm's length negotiation between the Underwriter and the Company, we consider the underwriting commission of 3.5% is acceptable.

### *Odd lots of Shares*

According to "Letter from the Board", no fractional entitlements or allotments are expected to arise as a result of the Open Offer alone.

### **3) Alternative financing methods**

As disclosed in "Letter from the Board", the Directors, having considered other alternatives and options available to the Group such as bank borrowings, placing of new Shares and rights issue, decided that the Open Offer is a good fund-raising method and in the best interests of the Company. Rights issue is similar to open offer in the way that shareholders are entitled to acquire newly issued shares in proportion to their existing shareholdings. Due to the tight time schedule, the Board considers that the trading of nil paid rights will delay the process of fund raising on a timely basis. Given the additional administrative costs and expenses to be borne by the Company in arranging for trading arrangement of the nil-paid rights and additional time for trading of nil paid rights shares, the Directors considered that the Open Offer is more time and cost effective and a better option.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Taking into the account the above and Open Offer allows all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enable the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so, the Directors (including the independent non-executive Directors) consider that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We note the Company reported loss attributable to equity holders of the Company for financial year ended 31 March 2010 and the nine months ended 31 December 2010. As of 31 December 2010, the Company sustained accumulated losses of approximately HK\$68.3 million as of 31 December 2010. Given the financial track record, the Company may have to dispense reasonable amount of time and resources to obtain credit facilities from financial institutions at favourable rates and conditions, which may or may not be available. We also note the Open Offer provides readily available funding to the Company without imposing on it the obligation to make interest expense payment that will likely be required under other type of funding such as bank loans.

Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that the Open Offer does not allow them to sell the right to subscribe for the Offer Shares. Nonetheless, we note that Qualifying Shareholders are given the opportunity to participate in the future business expansion and diversification plans of the Company by subscribing for the Offer Shares at notable discounts to the closing prices of the Shares and, on this basis, we are of the view that the pricing of the Offer Shares is attractive to Qualifying Shareholders to subscribe for the Offer Shares rather than to dispose of the nil-paid rights in the market. We note the low trading liquidity for the Shares during the Review Period, which suggest an uncertain market for trading of nil-paid rights, if any. Further, trading of securities on the market will entail related trading costs to be borne by the sellers and buyers of such nil-paid rights. In this regard, we concur with the Directors that trading arrangement of nil-paid rights will incur additional and unnecessary administrative costs and expenses for the Company and the absence of such trading arrangement in the Open Offer is acceptable.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Having considered that (i) debt financing and bank borrowing will incur interest burden to the Company; (ii) any placing of new Shares without first offering the existing Shareholders the opportunity to participate in the Company's equity raising exercise would result in dilution of shareholding of the existing Shareholders and deprive them of an opportunity to participate in the future business expansion and diversification plans of the Company; (iii) the Open Offer will enable the Qualifying Shareholders to maintain their proportionate interests in the Company and participate in the business expansion and diversification plans of the Company; and (iv) the Open Offer avoids the additional administrative costs in arranging for disposal of their rights to subscribe for new Shares, we concur with the view of the Directors that the fund raising by way of the Open Offer is fair and reasonable.

#### **4) Dilution effect on the shareholding interests of the Independent Shareholders**

The Underwriter (for itself and on behalf of the sub-underwriter(s)) has undertaken to the Company that: (i) the Underwriter and/or the sub-underwriter(s) will not trigger a mandatory offer obligation under Rule 26 of the Hong Kong Code on Takeovers and Mergers on the part of the Underwriter and/or the sub-underwriter(s) in respect of performing its/their obligations under the Underwriting Agreement; and (ii) none of the Underwriter, the subunderwriter(s) and the subscribers procured by them will be a substantial Shareholder holding 10% or more shareholding in the Company.

All Qualifying Shareholders are entitled to subscribe for the Offer Shares. For those Qualifying Shareholders who take up their entitlements in full under the Open Offer, their shareholding interests in the Company will remain unchanged after the Open Offer. In the event that all Qualifying Shareholders do not accept the Open Offer (except for China Oil take up his/her/its entitlements under the Open Offer) and thus the Underwriter is obliged to take up the unsubscribed Offer Shares, the Qualifying Shareholders' shareholding interest in the Company, as indicated in the "Letter from the Board", will be diluted to approximately 22.51%.

Having considered that (i) the discounts of the Subscription Price to the prevailing market prices of the Shares and (ii) the opportunity offered to Qualifying Shareholders to participate in the Open Offer and maintain their respective proportionate shareholdings in the Company, we are of the view that it is in the interest of the Qualifying Shareholders to take up the Open Offer. However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be materially diluted in comparison with their shareholdings immediately before the Open Offer.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### 5) Financial effects of the Open Offer

#### *a) Effect on NTA*

According to the unaudited pro forma statement of adjusted consolidated net tangible assets (“NTA”) of the Group as set out in Appendix II to this Circular, as at 30 September 2010 the unaudited consolidated NTA of the Group attributable to equity holders of the Company and the unaudited consolidated NTA per Share attributable to equity holders of the Company were approximately HK\$26.1 million and HK\$0.055 per Share respectively. Upon completion of the Open Offer, the unaudited pro forma adjusted consolidated NTA of the Group attributable to equity holders of the Company and the unaudited pro forma adjusted consolidated NTA per Share attributable to equity holders of the Company would, in the case of Open Offer of 588,567,428 Offer Shares, increase by approximately 215.7% to approximately HK\$82.5 million and increase by approximately 27.3% to HK\$0.07 per Share respectively while, in the case of Open Offer of 592,147,428 Offer Shares, increase by approximately 217.0% to approximately HK\$82.8 million and increase by approximately 27.3% to HK\$0.07 per Share respectively.

Having considered all Qualifying Shareholders are offered the same opportunity to enjoy the benefit of subscribing for the Offer Shares at the Subscription Price which is at discounts to the market prices of the Shares, we consider that increase in the unaudited pro forma adjusted consolidated NTA of the Group attributable to equity holders of the Company and the increase in the unaudited pro forma adjusted consolidated NTA per Share attributable to equity holders of the Company to be in the interests of the Company and the Shareholders as a whole.

#### *b) Effect on gearing position*

As disclosed in “Letter from the Board”, as of 31 March 2011 the Company had no outstanding debt securities issued and outstanding, and authorized or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*c) Effect on liquidity*

The cash and bank balance of the Group and the general working capital of the Group will be increased upon the completion of the Open Offer. We consider that the improvement to general working capital and cash position to be in the interests of the Group and the Shareholders as a whole.

### RECOMMENDATION

Having taken into account the above principal factors and reasons below namely,

- the Company reported loss attributable to equity holders for the financial year 31 March 2010 and the nine months ended 31 December 2010; and sustained accumulated losses of approximately HK\$68.3 million as of 31 December 2010 and the Company will likely have to dispense reasonable amounts of time and resources to obtain credit facilities from financial institutions at favourable rates and conditions, which may or may not be available;
- the Open Offer provides a valid funding source to the Company for its utilization despite its less than satisfactory recent financial performances and does not impose interest payment burden on the Company;
- the Open Offer allows Qualifying Shareholders to subscribe for Offer Shares at notable discounts to closing market prices of the Shares, maintain their proportionate interests in the Company and participate in the business expansion and diversification plans of the Company should they wish to do so; and
- the financial effects of the Open Offer namely, the positive effects on NTA of the Group as a whole and on liquidity of the Company

we consider that the terms of the Open Offer are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) at the EGM to approve the Open Offer.

Yours faithfully,  
For and on behalf of  
**Cinda International Capital Limited**  
**Kinson Li**  
*Managing Director*

## 1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated results and assets and liabilities of the Group for the three years ended 31 March 2008, 2009 and 2010 respectively and the unaudited consolidated results and assets and liabilities of the Group for the six months ended 30 September 2009 and 2010, as extracted from each of the relevant annual reports and interim report of the Company. An unqualified opinion in respect of the audit of the financial statements of the Group has been issued for each of the three years ended 31 March 2008, 2009 and 2010. The Company had no exceptional or extraordinary items in existence for each of the three years ended 31 March 2008, 2009 and 2010 and for the six months ended 30 September 2010. No dividends have been paid or declared by the Company during each of the three years ended 31 March 2008, 2009 and 2010 and the six months ended 30 September 2010.

**Results**

	Year ended 31 March			Six months ended 30 September	
	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Turnover	19,742	20,321	18,134	8,720	10,487
Profit/(loss) before taxation	381	754	(671)	(60)	(1,427)
Taxation	(8)	(6)	(8)	(6)	(47)
Profit/(loss) for the year/period	<u>373</u>	<u>748</u>	<u>(679)</u>	<u>(66)</u>	<u>(1,474)</u>
Attributable to:					
Equity holders of the Company	382	748	(679)	(66)	(1,358)
Non-controlling interests	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(116)</u>
	<u>373</u>	<u>748</u>	<u>(679)</u>	<u>(66)</u>	<u>(1,474)</u>
Earnings/(loss) per share for profit/ (loss) attributable to the equity holders of the Company					
– Basic ( <i>HK cent</i> )	<u>0.08</u>	<u>0.16</u>	<u>(0.14)</u>	<u>(0.014)</u>	<u>(0.284)</u>
– Diluted ( <i>HK cent</i> )	<u>0.08</u>	<u>0.16</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

**Assets and liabilities**

	As at 31 March			As at 30 September	
	2008	2009	2010	2009	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	30,614	31,855	31,151	31,214	30,656
Total liabilities	4,154	4,558	4,266	3,853	4,526
	<u>26,460</u>	<u>27,297</u>	<u>26,885</u>	<u>27,361</u>	<u>26,130</u>

The financial information of the Group for each of the three years ended 31 March 2008, 2009 and 2010 are disclosed in the annual reports of the Company for the three years ended 31 March 2008, 2009 and 2010 respectively, which were published on 16 June 2008, 19 June 2009 and 23 June 2010 respectively. The unaudited financial information of the Group for the six months ended 30 September 2010 is disclosed in the interim report of the Company for the six months ended 30 September 2010 which was published on 11 November 2010. The aforementioned financial information of the Group is published on both the website of the GEM ([www.hkgem.com](http://www.hkgem.com)) and the website of the Company ([www.mtelnet.com](http://www.mtelnet.com)).

**2. STATEMENT OF INDEBTEDNESS**

At the close of business on 31 March 2011, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

**3. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2010, being the date to which the latest audited consolidated financial statements of the Group were made up.

**4. WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Group including the internally generated funds and the estimated net proceeds from the Open Offer, the Group will have sufficient working capital for at least the next twelve months from the date of this circular.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

### 1. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group has been prepared in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited is to illustrate the effect of the Open Offer on the published unaudited consolidated net tangible assets of the Group as if the Open Offer had been completed on 30 September 2010.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 September 2010, as extracted from the published interim report of the Group for the six months ended 30 September 2010 set out in the Appendix I of this circular after giving effect to the pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Group has been prepared by the Directors of the Company for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the equity holders of the Company following the Open Offer.

Unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 September 2010 <i>HK\$'000</i> <i>(Note b)</i>	Estimated net proceeds from the Open Offer <i>HK\$'000</i> <i>(Note c)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company after the completion of the Open Offer <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company after the completion of the Open Offer <i>HK\$</i> <i>(Note d)</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company after the completion of the Open Offer <i>HK\$</i>	
Open Offer of 588,567,428					
Offer Shares <i>(Note a)</i>	<u>26,130</u>	<u>56,357</u>	<u>82,487</u>	<u>0.055</u>	<u>0.070</u> <i>(Note e)</i>
Open Offer of 592,147,428					
Offer Shares <i>(Note a)</i>	<u>26,130</u>	<u>56,715</u>	<u>82,845</u>	<u>0.055</u>	<u>0.070</u> <i>(Note f)</i>

## APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION

*Notes:*

- a) The issue of not less than 588,567,428 Offer Shares and not more than 592,147,428 Offer Shares to the Qualifying Shareholders by way of the Open Offer is based on the number of issued Shares at the Latest Practicable Date. Details of the movements in numbers of Shares from 30 September 2010 up to the Latest Practicable Date is as follows:

	<b>Number of Shares</b>
As at 30 September 2010	479,342,976
Placing of new shares on 24 November 2010	90,000,000
Exercise of share options on 24 March 2011	<u>19,224,452</u>
As at the Latest Practicable Date	<u><u>588,567,428</u></u>

- b) The unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 September 2010 is arrived based on the published interim report of the Company for the six months ended 30 September 2010 as set out in Appendix I to this circular.
- c) The estimated net proceeds from the Open Offer is calculated based on not less than 588,567,428 Offer Shares to be issued at the Subscription Price of HK\$0.1 per Offer Share, after deduction of the estimated related expenses of approximately HK\$2,500,000.
- The estimated net proceeds from the Open Offer is calculated based on not less than 592,147,428 Offer Shares to be issued at the Subscription Price of HK\$0.1 per Offer Share, after deduction of the estimated related expenses of approximately HK\$2,500,000.
- d) The number of Shares used for the calculation of unaudited consolidated net tangible assets per Share attributable to the equity holders of the Company as at 30 September 2010 and prior to the completion of the Open Offer is based on 479,342,976 Shares in issue as at 30 September 2010.
- e) The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company after the completion of the Open Offer is calculated based on 1,177,134,856 Shares issued upon completion of the Open Offer, which represents the 588,567,428 Shares in issue as at the Latest Practicable Date and 588,567,428 Offer Shares expected to be issued on the completion of the Open Offer.
- f) The unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the equity holders of the Company after the completion of the Open Offer is calculated based on 1,184,294,856 Shares issued upon completion of the Open Offer, which represents the 588,567,428 Shares in issue, 3,580,000 potential shares exercisable under share options as at the Latest Practicable Date and 592,147,428 Offer Shares expected to be issued on the completion of the Open Offer.
- g) No adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to 30 September 2010.

This Unaudited Pro Forma Financial Information of the Group does not take into account the change in net tangible assets arising from the movement of numbers of Shares of the Company from 30 September 2010 upto the Latest Practicable Date, as specified in Note (a) above.

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## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

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### 2.      REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

**TING HO KWAN & CHAN**  
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

9th Floor, Tung Ning Building  
249-253 Des Voeux Road Central  
Hong Kong



The Directors  
Mobile Telecom Network (Holdings) Limited  
Suite 1006, 10/F., Ocean Centre  
Harbour City, Tsimshatsui  
Kowloon, Hong Kong

Dear Sirs,

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets (“Unaudited Pro Forma Financial Information”) of Mobile Telecom Network (Holdings) Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out in Part 1 of Appendix II to the circular of the Company dated 4 May 2011 (the “Circular”), in connection with the open offer of not less than 588,567,428 Offer Shares and not more than 592,147,428 Offer Shares of par value of US\$0.01 each at the subscription price of HK\$0.1 per Offer Share (the “Open Offer”) on the basis of one Offer Share for every Share held on the Record Date (as defined in the Circular), which has been prepared by the Directors of the Company for illustration purpose only, to provide information about how the Open Offer might have affected the financial information presented, for inclusion in Appendix II of this Circular. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the accompanying introduction and notes to the Unaudited Pro Forma Financial Information included in Part 1 of Appendix II to this Circular.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS**

It is the responsibility solely of the Directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by Rule 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**BASIS OF OPINION**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the Directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 7.31(1) of the GEM Listing Rules.

The Unaudited Pro Forma Financial Information is for illustration purpose only, based on the judgements and assumptions of the Directors of the Company, and, because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in future and may not be indicative of the financial position of the Group as at 30 September 2010 or any future date.

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**APPENDIX II            UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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**OPINION**

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Rule 7.31 (1) of the GEM Listing Rules.

**TING HO KWAN & CHAN**

*Certified Public Accountants (Practising)*

Hong Kong, 4 May 2011



## RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading.

## SHARE CAPITAL

<i>Authorised capital:</i>		<i>US\$</i>
<u>2,000,000,000</u>	ordinary Shares of US\$0.01 each	<u>20,000,000</u>
<i>Issued and fully paid or credited as fully paid:</i>		
588,567,428	Shares as at the Latest Practicable Date	5,885,674.28
588,567,428	Offer Shares to be allotted and issued (assuming no exercise of the outstanding Options on or before the Record Date)	5,885,674.28
<u>1,177,134,856</u>	Total (assuming no exercise of the outstanding Options on or before the Record Date)	<u>11,771,348.56</u>
3,580,000	Shares to be allotted and issued (assuming full exercise of the outstanding Options on or before the Record Date)	35,800.00
592,147,428	Offer Shares to be allotted and issued (assuming full exercise of the outstanding Options on or before the Record Date)	5,921,474.28
<u>1,184,294,856</u>	Total (assuming full exercise of the outstanding Options on or before the Record Date)	<u>11,842,948.56</u>

All the Shares in issue and the Offer Shares to be issued rank *pari passu* in all respects with each other including as regards to dividends and voting rights. The Shares in issue are listed on GEM.

No part of the securities of the Company is listed or dealt in, nor is listing or permission to deal in the securities of the Company being or proposed to be sought, on any other stock exchange.

There is no arrangement under which future dividend are/will be waived or agreed to be waived.

### **SHARE OPTION SCHEMES AND DIRECTOR'S OPTION**

The Company adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme") and a Share Option Scheme (the "Share Option Scheme") on 27 March 2003. The purposes of the share option schemes are to provide incentives or rewards for any full-time employees, executives or officers, directors of the Company or any of the subsidiaries and any suppliers, consultants, agents and/or advisors who have contributed to the Company and/or any of its subsidiaries. All of the Share Options under the Pre-IPO Share Option Scheme have duration of ten years from the date the Share Options were granted.

As at the Latest Practicable Date, the Share Options granted under the Pre-IPO Share Option Scheme entitle the holders to subscribe for a total of up to 3,330,000 Shares at exercise prices ranging from HK\$0.078 to HK\$0.191 each, representing, in aggregate, approximately 0.57% of the existing issued share capital of the Company.

Pursuant to the Share Option Scheme, the Company may grant Share Options to any fulltime employees, executive or officers, directors of the Company or its subsidiaries and any suppliers, consultants, agents and advisors who have contributed to the Group to subscribe for shares in the Company. Options granted are exercisable at any time during a period to be notified by the Board of Directors of the Company to grantees provided that the period within which the options must be exercised shall be not more than ten years from the date of grant of the Share Options. The maximum number of shares in respect of which Share Options may be granted under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company from time to time. The subscription price of the option shares is not to be less than the higher of (a) the closing price of one share as stated in the stock exchange's daily quotations sheet on the date of grant, (b) the average of the closing price of the shares as stated in the stock exchange's daily quotations sheet for the five business days immediately preceding the date of grant, and (c) the nominal value of a share.

As at the Latest Practicable Date, the Share Options granted under the Share Option Scheme entitle the holders to subscribe for a total of up to 250,000 Shares at the exercise price of HK\$0.134 each, representing, in aggregate, approximately 0.042% of the existing issued share capital of the Company.

On 4 September 2001, Director's Options were granted to a former director of the Company to subscribe for 3,000,000 Shares in the Company at an exercise price of HK\$0.078 (equivalent of US\$0.01) per share. Director's Options are exercisable upon listing of the Shares on the Stock Exchange.

As at the Latest Practicable Date, the following participants had interests in Options to subscribe for Shares in the Company and details of which are as follows:

### Pre-IPO Share Option Scheme

Name or Category of Participant	No. of Options	No. of Shares to be issued upon exercise of the Options as at the Latest Practicable Date	Exercise Price	Date of Grant	Exercise Period
<b>Other Participants</b>					
Employees in aggregate	10,000	10,000	0.090	9 February 2007	"9 February 2007-8 February 2017"
	20,000	20,000	0.191	12 February 2008	"12 February 2008-11 February 2018"
<b>Business Consultant</b>					
Young Antony, Michael	300,000	300,000	0.114	27 March 2003	"9 May 2003-8 May 2013"
<b>Former Director</b>					
Wellan Sham	3,000,000	3,000,000	0.078	4 September 2001	"9 May 2003-8 May 2013"
Total	<u>3,330,000</u>	<u>3,330,000</u>			

### Share Option Scheme

Name or Category of Participant	No. of Options	No. of Shares to be issued upon exercise of the Options as at the Latest Practicable Date	Exercise Price	Date of Grant	Exercise Period
<b>Other Participants</b>					
Employees in aggregate	250,000	250,000	0.134	17 February 2010	"17 February 2010-16 February 2020"
Total	<u>250,000</u>	<u>250,000</u>			

Save for the 3,580,000 Options, the Company has no outstanding warrants, options or convertible or exchangeable securities as at the Latest Practicable Date.

#### DISCLOSURE OF INTERESTS

##### (a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executives and their associates in the shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required to be entered in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, were as follows:

##### *Long position in the Shares*

Name of Director	Capacity	Number of Shares held	Approximate percentage (%)
Dr. Chan Chung	Beneficial owner	19,224,452	3.27
Mr. Chan Wai Kwong, Peter	Beneficial owner	108,036	0.02

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO, or which were required to be entered in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders**

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

**Long position in the Shares**

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage (%)</b>
China Oil <i>(Note 1)</i>	Beneficial owner	355,571,722 <i>(Note 2)</i>	60.41
PetroAsian <i>(Note 1)</i>	Interest in controlled corporation	355,571,722 <i>(Note 2)</i>	60.41
Vodatel Information Limited <i>(Note 3)</i>	Beneficial owner	77,709,696	13.20
VDT Mobile Holdings Limited <i>(Note 3)</i>	Interest in controlled corporation	77,709,696	13.20
Vodatel Networks Holdings Limited <i>(Note 3)</i>	Interest in controlled corporation	77,709,696	13.20
Eve Resources Limited <i>(Note 3)</i>	Interest in controlled corporation	77,709,696	13.20%
Vodatel Holdings Limited <i>(Note 3)</i>	Interest in controlled corporation	77,709,696	13.20%
Ocean Hope Holdings Limited <i>(Note 3)</i>	Interest in controlled corporation	77,709,696	13.20%

**APPENDIX III****GENERAL INFORMATION**

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of Shares held</b>	<b>Approximate percentage (%)</b>
HSBC International Trustee Limited ( <i>Note 3</i> )	Interest in controlled corporation	77,709,696	13.20%
Dos Santos Jose Manuel ( <i>Note 4</i> )	Interest in discretionary trust	77,709,696	13.20%
Lei Hon Kin ( <i>Note 4</i> )	Interest in spouse's interest	77,709,696	13.20%
Ever Champion Trading Company Limited ( <i>Note 5</i> )	Beneficial owner	48,776,000	8.29%
Lo Yuk Yee ( <i>Note 5</i> )	Interest in controlled corporation	48,776,000	8.29%
Poon Sum	Beneficial owner	118,181,818 ( <i>Note 6</i> )	20.08%
Poon Sau Tin	Beneficial owner	118,181,818 ( <i>Note 6</i> )	20.08%

*Notes:*

1. China Oil is wholly and beneficially owned by PetroAsian.
2. Among the 355,571,722 Shares, (i) 177,785,861 Shares are currently held by China Oil; and (ii) 177,785,861 Shares will be subscribed by China Oil under the Undertaking.
3. Vodatel Information Limited is a direct and wholly owned subsidiary of VDT Mobile Holdings Limited which is a direct and wholly owned subsidiary of Vodatel Holdings Limited, a direct and wholly owned subsidiary of Vodatel Networks Holdings Limited (“Vodatel”). Vodatel is a company incorporated in Bermuda whose shares are listed on GEM (Stock code: 8033). Eve Resources Limited, a wholly owned subsidiary of Ocean Hope Holdings Limited, is interested in 49.12% of the equity interests in Vodatel. Ocean Hope Holdings Limited is a wholly owned subsidiary of HSBC International Trustee Limited.
4. Dos Santos Jose Manuel is a founder of the discretionary trust where HSBC International Trustee Limited is the trustee. Lei Hon Kin is a spouse of Dos Santos Jose Manuel.
5. Lo Yuk Yee is interested in the entire equity interests of Ever Champion Trading Company Limited.
6. This represents the number of Shares which may be issued to Poon Sum and Poon Sau Tin respectively under the Convertible Bonds and the Warrants.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Mr. Cheung Kwan Hung, Anthony, an independent non-executive Director, as also an independent non-executive Director of PetroAsian.

**DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

**COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors, controlling Shareholder and their respective associates had any business or interest that competes or may compete with the business of the Group and had any other conflict of interest with the Group.

**LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

**EXPERTS AND CONSENTS**

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Cinda	a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders
Ting Ho Kwan & Chan ("THKC")	Certified Public Accountants (Practising)

Each of Cinda and THKC has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or its name in the form and context in which they respective appear.



Each of Cinda and THKC does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of Cinda and THKC does not have any direct or indirect interests in any assets which have been, since 31 March 2010 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

### **MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

- (a) the Underwriting Agreement;
- (b) the placing agreement entered into between the Company and Finet Securities Limited dated 4 November 2010 in relation to the placing of up to an aggregate of 90,000,000 Shares at a placing price of HK\$0.20 per Share; and
- (c) the agreement dated 15 February 2011 and entered into among Poon Sum and Poon Sau Tin and Gold Continental Investments Limited in relation to the sale and purchase of 2000 shares in the share capital of Best Team International Investment Limited.

### **DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS**

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 March 2010, the date to which the latest published audited financial statements of the Group were made up.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group since 31 March 2010, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

**PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION**

<b>Registered office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Head office and principal place of business</b>	Room 2516, 25th Floor, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong
<b>Authorised representatives</b>	Chan Chung Chan Wai Kwong, Peter Room 2516, 25th Floor, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong
<b>Compliance officer</b>	Chan Wai Kwong, Peter Room 2516, 25th Floor, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong
<b>Company secretary</b>	Li Siu Bun Room 2516, 25th Floor, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong
<b>Auditors</b>	Ting Ho Kwan & Chan Certified Public Accountants 9th Floor, Tung Ning Building, 249-253 Des Voeux Road Central, Hong Kong
<b>Underwriter</b>	Ever-Long Securities Company Limited 18th Floor, Dah Sing Life Building, 99-105 Des Voeux Road Central, Hong Kong

<b>Legal advisers</b>	On Hong Kong Law Michael Li & Co. 14/F Printing House 6 Duddell Street, Central Hong Kong
<b>Principal bankers</b>	Standard Chartered Bank 23rd Floor, Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong
<b>Principal share registrar and transfer office</b>	Butterfield International (Cayman) Ltd. Butterfield House 68 Fort Street, P.O. Box 705, George Town Grand Cayman, Cayman Islands British West Indies
<b>Hong Kong branch share registrar and transfer office</b>	Computershare Hong Kong Investor Services Limited 17M Floor Hopewell Centre 183 Queen's Road East, Wan Chai Hong Kong

**PARTICULARS OF DIRECTORS AND COMPANY SECRETARY****Executive Directors*****Dr. Chan Chung***

Dr. Chan, aged 54, is a founder, an executive Director and the chairman of the Group. Dr. Chan is responsible for formulating the overall business plan and the corporate strategies of the Group. Further, Dr. Chan is a founder of Silicon Genesis Corporation, a high technology company in the United States. Dr. Chan has been elected as a fellow of the Institute of Electrical and Electronics Engineers in the United States and graduated with a doctor degree in philosophy from the University of Iowa in 1981. Dr. Chan was appointed as a Director of the Company on 23 October 2000.

***Mr. Chan Wai Kwong, Peter***

Mr. Chan, aged 57, is an executive Director and the compliance officer of the Group. Mr. Chan is responsible for overseeing and supervising the administration of the Group. Mr. Chan is an executive director of China Solar Energy Holdings Limited (Stock code: 155), a listed company in Hong Kong. Mr. Chan is also an independent non-executive director of Century Ginwa Retail Holdings Limited (formerly known as China Golden Development Holdings Limited) (Stock code: 162) and Tai Shing International (Holdings) Limited (Stock code: 8103), whose shares are listed on the Stock Exchange and GEM respectively. Mr. Chan graduated with a bachelor of arts degree in social science from the University of Western Ontario, Canada in 1978. Mr. Chan was appointed as a Director of the Company on 23 March 2002.

***Mr. Siu King Nin, Peter***

Mr. Siu, aged 70, is responsible for the formulation and execution of business strategies as well as corporate management of the Group. Mr. Siu has had over 35 years of experience in the banking and financial services sector serving at senior management level in various leading banks and financial institutions in the United States, Canada and Hong Kong. Mr. Siu was an executive director of Grand Field Group Holdings Limited (Stock code: 115) from 6 September 2006 to 31 May 2007. Mr. Siu was appointed as a Director of the Company on 10 June 2010.

***Mr. Choi Ho Yan***

Mr. Choi, aged 35, graduated from the University of Hertfordshire, United Kingdom with a Bachelor of Accounting degree. He has become a member of the America Institute of Certified Public Accountants since 2002. Mr. Choi has over 11 years of experience in auditing, accounting, corporate finance and investor relations experience gained from his previous employment. Mr. Choi was an accountant at Ernst and Young from 1998 – 2004, moving from the positions of staff accountant to senior accountant, and overseeing audit work for projects related to initial public offerings of several companies, as well as other related work for listed companies. During his time as a chief financial officer for China Milk Products Group Limited, a company listed on the stock exchange of the Singapore Exchange Limited, from September 2004 – January 2010, he oversaw the investor relations programme as well as the accounting and financial functions of the company. Mr. Choi was appointed as a Director of the Company on 30 July 2010.

**Independent Non-executive Directors*****Mr. Chiu Wai Piu***

Mr. Chiu, aged 64, is a very experienced and reputable journalist and has over 40 years of experience in journalism. He has been a reporter, an editor, a main news assignment editor, a local news assignment editor, a managing editor and an editorial writer in newspapers and a senior research officer in “One Country Two Systems Research Institute”. Mr. Chiu has been the founding treasurer and the chairman of the “Hong Kong Federation of Journalists”. In 2006, he was elected as the Vice Secretary – General and Treasurer of the “Hong Kong Federation of Journalists”; and he was also elected as the Director-General in 2009. Mr. Chiu has, for many years, devoted himself wholeheartedly in boosting cooperation among local journalists, enhancing professional conduct of journalists and developing the relationship and advocating the interchange of knowledge between journalists in Hong Kong and Mainland China. His contribution in this field is highly praised and recognized. Mr. Chiu currently serves as an independent non-executive director of Jiwa Bio-Pharm Holdings Limited and Lo’s Enviro-Pro Holdings Limited. Mr. Chiu was appointed as a Director of the Company on 30 July 2010.

***Mr. Cheung Kwan Hung, Anthony***

Mr. Cheung, aged 59, is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Cheung is very experienced in accounting, finance and investment banking profession specialising in equity/debt fund raising, mergers and acquisitions and corporate restructuring before working with publicly listed companies undertaking corporate management, planning and strategies development functions. He is an independent non-executive director of NewOcean Energy Holdings Limited (Stock code: 342), PetroAsian Energy Holdings Limited (Stock code: 850) and Great Harvest Maeta Group Holdings Limited (Stock Code: 3683), whose shares are listed on the Stock Exchange. He was an independent non-executive director of Diagonite International Limited (formerly known as “Ruyan Group (Holdings) Limited”) (Stock code: 329) and V.S. International Group Limited (Stock code: 1002), whose shares are listed on the Stock Exchange, from 20 September 2004 to 28 June 2010 and 8 February 2002 to 28 January 2011 respectively. Mr. Cheung was appointed as a Director of the Company on 18 August 2010.

***Mr. Heung Chee Hang, Eric***

Mr. Heung, aged 43, is a practicing solicitor in Hong Kong with current practice in general litigation and commercial matters. He graduated with a degree of Laws from the University of Leicester, England. Mr. Heung was admitted as a solicitor of the Supreme Court of Hong Kong in 1995. He is currently a partner of Tung, Ng, Tse & Heung, Solicitors. Mr. Heung was appointed as a Director of the Company on 18 August 2010.

**Company secretary*****Mr. Li Siu Bun***

Mr. Li is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Li graduated with a bachelor degree in business administration from Lingnan University and has nearly 4 years of experience in the accounting and auditing fields.

**Business address of Directors**

The business address of the Directors is the same as the Company's head office and principal place of business in Hong Kong located at Room 2516, 25th Floor, North Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong.

**AUDIT COMMITTEE**

The Board established an audit committee with written terms of reference in accordance with Rules 5.28 of the GEM Listing Rules. The audit committee comprises three members who are independent non-executive Directors, namely, Mr. Chiu Wai Piu, Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric (with Mr. Cheung Kwan Hung, Anthony as the Chairman thereof).

The principal duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Company, and to review the appointment of external auditors on an annual basis as well as to ensure independence of the continuing auditor.

**GENERAL**

- (a) There is no contract for the hire or hire purchase of plant to or by any member of the Group for a period of over 1 year which are substantial in relation to the Group's business;
- (b) The Company does not have any forecasted or planned dividends; nor any foreign exchange liabilities; and
- (c) The English text of this circular shall prevail over the Chinese text.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection during normal business hours on Business Days at the branch office of the Company at Suite 1006, 10/F., Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 36 of this circular;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 37 to 62 of this circular;
- (d) the annual reports of the Company for the three years ended 31 March 2008, 31 March 2009 and 31 March 2010 respectively;
- (e) the unaudited third quarterly report of the Company for the nine months ended 31 December 2010;
- (f) the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this circular;
- (g) the letter from THKC on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this circular;
- (h) the material contracts referred to in the paragraph headed “Material contracts” in this appendix;
- (i) the written consents referred to in the paragraph headed “Experts and consents” in this appendix; and
- (j) a copy of each of the circulars issued pursuant to the requirements set out in Chapters 19 and/or 20 of the GEM Listing Rules which has been issued since 31 March 2010, the date of the latest published audited consolidated financial statements of the Group were made up.

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## NOTICE OF EGM

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### MOBILE TELECOM NETWORK (HOLDINGS) LIMITED

流動電訊網絡（控股）有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 8266)

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (the “**EGM**”) of Mobile Telecom Network (Holdings) Limited (the “**Company**”) will be held at 5:00 p.m. on Friday, 20 May 2011 at Suite 1006, 10/F., Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong for the following purpose of considering and, if thought fit, passing with or without amendments, the following resolutions:

#### ORDINARY RESOLUTIONS

“**THAT** subject to and conditional upon The Stock Exchange of Hong Kong Limited approving the listing of, and granting the permission to deal in, the Offer Shares (as defined below) in their fully-paid forms to be allotted to the Qualifying Shareholders (as defined in the circular dated 4 May 2011 (“**Circular**”) to the shareholders of the Company of which the notice convening the meeting at which this resolution is proposed forms part, a copy of the Circular marked “A” has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification) by way of open offer as announced by the Company on 4 April 2011:

- (a) the issue by way of open offer (“**Open Offer**”) of not less than 588,567,428 offer Shares and not more than 592,147,428 offer Shares (as defined below) (the “**Offer Shares**”) at a subscription price of HK\$0.1 per Offer Shares to the Qualifying Shareholders of the Company whose names appear on the date by reference to which entitlement under the Open Offer will be determined (other than those shareholders (the “**Prohibited Shareholders**”) with registered addresses outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of one (1) Offer Share for every existing share of US\$0.01 (each a “**Share**”) in the share capital of the Company then held and otherwise pursuant to and subject to the fulfillment of the conditions of terms set out in the underwriting agreement (the “**Underwriting Agreement**”) (a copy of which have been produced to this Meeting marked “A” and signed by the chairman of this

\* For identification purpose only



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## NOTICE OF EGM

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Meeting for the purpose of identification dated 4 April 2011 between the Company and the underwriter (the “**Underwriter**”) be and is hereby approved, confirmed and ratified;

- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to allot and issue the Offer Shares pursuant to the Open Offer notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to the Prohibited Shareholders as they deem necessary, desirable or expedient to having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong;
- (c) the Underwriting Agreement and the transactions contemplated thereunder (including but not limited to the arrangements for taking up of the unsubscribed Offer Shares, if any, by the Underwriters) be and are hereby approved, confirmed and ratified;
- (d) the arrangements for no excess application for the Offer Shares by the Qualifying Shareholders under the Open Offer be and are hereby approved, confirmed and ratified; and
- (e) any Directors be and are hereby authorised to sign or execute such documents and do all acts and things in connection with the allotment and issue of the Offer Shares, the implementation of the Open Offer and the Underwriting Agreement, the exercise or enforcement of any of the Company’s rights under the Underwriting Agreement and to make and agree to make such variations of the terms of the Underwriting Agreement as they may in their discretion consider to be appropriate, necessary or desirable and in the interests of the Company and its shareholders.”

By Order of the Board  
**Mobile Telecom Network (Holdings) Limited**  
**Siu King Nin, Peter**  
*Executive Director*

Hong Kong, 4 May 2011

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## NOTICE OF EGM

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*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Principal place of business in Hong Kong:*

Room 2516, 25th Floor,  
North Tower, Concordia Plaza,  
1 Science Museum Road,  
Tsim Sha Tsui, Kowloon,  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.