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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)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2011

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

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

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



*This announcement, for which the directors (the "Directors") of Mobile Telecom Network (Holdings) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.*

* *For identification purpose only*

# HIGHLIGHTS

- The Group recorded a greater loss for the financial year ended 31 March 2011 mainly due to the costs of a general offer, higher employment and running costs.

- Turnover increased by 34.7% to HK$24.43 million (2010: HK$18.13 million).

- Loss attributable to equity shareholders increased by 664.8% to HK$5.20 million (2010: HK$0.68 million).

- Gross profit margin has been improved form 46.2% to 57.1%.

- The Board does not recommend the payment of a final dividend.

## RESULTS

The board of Directors (the "Board") of Mobile Telecom Network (Holdings) Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred as the "Group") for the year ended 31 March 2011, together with the comparative audited figures for the corresponding year ended 31 March 2010 as follows:

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2011*

| | *Notes* | **2011** **HK$'000** | 2010 *HK$'000* |
|---|---|---|---|
| **Turnover** | *2* | **24,425** | 18,134 |
| Other income and gains, net | *2* | **713** | 478 |
| Telecom operators and content providers costs | | **(10,483)** | (9,756) |
| Employment costs | | **(11,190)** | (5,841) |
| Research and development expenses | | **(2,806)** | (1,515) |
| Depreciation of property, plant and equipment | | **(271)** | (184) |
| Other operating expenses | | **(6,048)** | (2,643) |
| **Operating loss** | *3* | **(5,660)** | (1,327) |
| Share of profit of an associate | | **570** | 656 |
| **Loss before taxation** | | **(5,090)** | (671) |
| Taxation | *4* | **(69)** | (8) |
| **Loss for the year** | | **(5,159)** | (679) |
| **Attributable to:** | | | |
| Equity holders of the Company | | **(5,193)** | (679) |
| Non-controlling interests | | **34** | – |
| | | **(5,159)** | (679) |
| **Loss per share for loss attributable to the equity holders of the Company during the year** | | | |
| – basic | *6(a)* | **(1.02) cent** | (0.14) cent |
| – diluted | *6(b)* | **N/A** | N/A |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2011*

| | 2011<br>*HK$'000* | 2010<br>*HK$'000* |
|---|---|---|
| **Loss for the year** | **(5,159)** | (679) |
| **Other comprehensive income for the year:** | | |
| Exchange differences arising on translation of financial statements of foreign operations | **9** | 29 |
| **Total comprehensive expense for the year** | **(5,150)** | (650) |
| **Attributable to:** | | |
| Equity holders of the Company | **(5,184)** | (650) |
| Non-controlling interests | **34** | – |
| **Total comprehensive expense for the year** | **(5,150)** | (650) |

# CONSOLIDATED BALANCE SHEET

*At 31 March 2011*

| | Notes | 2011 HK$'000 | 2010 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **755** | 301 |
| Interest in an associate | | **9,359** | 8,731 |
| Investment deposit | | **9,500** | – |
| | | **19,614** | 9,032 |
| **Current assets** | | | |
| Trade and other receivables | *7* | **4,438** | 3,757 |
| Financial assets designated as at fair value through profit or loss | | **–** | 8,184 |
| Cash and deposits with banks | | **24,883** | 10,178 |
| | | **29,321** | 22,119 |
| **Total assets** | | **48,935** | 31,151 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the equity holders of the Company** | | | |
| Share capital | | **45,959** | 36,977 |
| Reserves | | **(3,643)** | (10,092) |
| | | **42,316** | 26,885 |
| Non-controlling interests | | **38** | – |
| **Total equity** | | **42,354** | 26,885 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | *8* | **6,568** | 4,266 |
| Current tax payable | | **13** | – |
| **Total liabilities** | | **6,581** | 4,266 |
| **Total equity and liabilities** | | **48,935** | 31,151 |
| **Net current assets** | | **22,740** | 17,853 |
| **Total assets less current liabilities** | | **42,354** | 26,885 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2011*

| | Attributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share capital** *HK$'000* | **Share premium** *HK$'000* | **Other reserves** *HK$'000* | **Accumulated losses** *HK$'000* | **Total** *HK$'000* | **Non-controlling interests** *HK$'000* | **Total equity** *HK$'000* |
| **Balance at 1 April 2009** | 36,977 | 35,582 | 20,181 | (65,443) | 27,297 | – | 27,297 |
| Recognition of share option benefits at fair value | – | – | 238 | – | 238 | – | 238 |
| Share options forfeited | – | – | (2) | 2 | – | – | – |
| Total comprehensive (expense)/ income for the year | – | – | 29 | (679) | (650) | – | (650) |
| **Balance at 31 March 2010** | 36,977 | 35,582 | 20,446 | (66,120) | 26,885 | – | 26,885 |
| Shares issued upon exercise of share options | 1,962 | 1,729 | (677) | – | 3,014 | – | 3,014 |
| Shares issued on placement | 7,020 | 10,980 | – | – | 18,000 | – | 18,000 |
| Transaction costs attributable to issue of new shares | – | (532) | – | – | (532) | – | (532) |
| Recognition of share option benefits at fair value | – | – | 133 | – | 133 | – | 133 |
| Share options forfeited | – | – | (1) | 1 | – | – | – |
| Capital contribution from non-controlling interests | – | – | – | – | – | 4 | 4 |
| Total comprehensive (expense)/income for the year | – | – | 9 | (5,193) | (5,184) | 34 | (5,150) |
| **Balance at 31 March 2011** | **45,959** | **47,759** | **19,910** | **(71,312)** | **42,316** | **38** | **42,354** |

*Notes:*

**1. Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") throughout the year.

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial investments classified as financial assets designated as at fair value through profit or loss, which are stated at fair values.

***Application of new and revised Hong Kong Financial Reporting Standards***

The Hong Kong Institute of Certified Public Accountants has issued the following new and revised HKFRS that are first effective for the current accounting period of the Group and the Company.

| | |
|---|---|
| HKFRS 3 (revised 2008) | Business combinations |
| Amendments to HKAS 27 | Consolidated and separate financial statements |
| Amendments to HKFRS 5 | Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary |
| Amendments to HKAS 39 | Financial instruments: Recognition and measurement – Eligible hedged items |
| Improvements to HKFRSs (2009) | |
| HK(IFRIC) 17 | Distributions of non-cash assets to owners |
| HK(Int) 5 | Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause |

The above new and revised HKFRS have had no material impact on the Group's consolidated financial statements as the amendments and interpretations are consistent with the accounting policies already adopted by the Group on preparation of the financial statements in prior years.

As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

– Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

– If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

– Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

– If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

– In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Company's and the Group's may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010.

– If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposal, respectively.

– If the Group loses control of a subsidiary, the transactions will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, "Investments in associates", the following policies will be applied as from 1 January 2010.

– If the Group holds interests in the acquiree immediately prior to obtaining significant influence, these interests will be treated as if disposed of and reacquired at fair value on the date of obtaining significant influence. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

– If the Group loses significant influence, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

– As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

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

**2. Turnover, other income and gains, net and segment information**

Turnover represents the amounts received and receivable for services provided to customers during the year. An analysis of the Group's turnover, other income and gains, net is as follows:

| | 2011 | 2010 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Turnover** | | |
| Service fees from provision of mobile data solutions and related services | **24,425** | 18,134 |
| **Other income** | | |
| Interest income | **46** | 101 |
| Sundry income | **33** | 328 |
| | **79** | 429 |
| **Gains, net** | | |
| Exchange gain | **724** | 65 |
| Net realised (loss)/gain in financial assets designated as at fair value through profit or loss | **(90)** | 38 |
| Fair value losses in financial assets designated as at fair value through profit or loss | **–** | (54) |
| | **634** | 49 |
| | **713** | 478 |
| | **25,138** | 18,612 |

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

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

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

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

The segment information provided to the Group's top management for the reportable segments for the year ended 31 March 2011 is as follows:

| | **Hong Kong/ Macau 2011** *HK$'000* | **PRC 2011** *HK$'000* | **Australia 2011** *HK$'000* | **Singapore 2011** *HK$'000* | **Taiwan 2011** *HK$'000* | **Others* 2011** *HK$'000* | **Total 2011** *HK$'000* |
|---|---|---|---|---|---|---|---|
| Turnover | **22,290** | **750** | **104** | **630** | **115** | **536** | **24,425** |
| Segment results | **(2,514)** | **167** | **104** | **207** | **(3)** | **311** | **(1,728)** |
| Unallocated costs | | | | | | | **(3,932)** |
| Operating loss | | | | | | | **(5,660)** |
| Share of profit of an associate | | | | | | | **570** |
| Loss before taxation | | | | | | | **(5,090)** |
| Taxation | | | | | | | **(69)** |
| Loss for the year | | | | | | | **(5,159)** |
| Segment assets | **7,877** | **1,202** | **–** | **–** | **168** | **–** | **9,247** |
| Interest in an associate | | | | | | | **9,359** |
| Unallocated assets | | | | | | | **30,329** |
| Total assets | | | | | | | **48,935** |
| Segment liabilities | **(5,987)** | **(316)** | **–** | **–** | **(49)** | **–** | **(6,352)** |
| Current tax payable | | | | | | | **(13)** |
| Unallocated liabilities | | | | | | | **(216)** |
| Total liabilities | | | | | | | **(6,581)** |
| Capital expenditure | **716** | **9** | **–** | **–** | **–** | **–** | **725** |
| Depreciation of property, plant and equipment | **269** | **2** | **–** | **–** | **–** | **–** | **271** |

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

The segment information for the year ended 31 March 2010 is as follows:

| | Hong Kong/ Macau 2010 *HK$'000* | PRC 2010 *HK$'000* | Australia 2010 *HK$'000* | Singapore 2010 *HK$'000* | Taiwan 2010 *HK$'000* | Others* 2010 *HK$'000* | Total 2010 *HK$'000* |
|---|---|---|---|---|---|---|---|
| Turnover | 17,054 | – | 176 | 448 | 264 | 192 | 18,134 |
| Segment results | 1,839 | (147) | 25 | 136 | (640) | 57 | 1,270 |
| Unallocated costs | | | | | | | (2,597) |
| Operating loss | | | | | | | (1,327) |
| Share of profit of an associate | | | | | | | 656 |
| Loss before taxation | | | | | | | (671) |
| Taxation | | | | | | | (8) |
| Loss for the year | | | | | | | (679) |
| Segment assets | 5,012 | 972 | – | – | 149 | – | 6,133 |
| Interest in an associate | | | | | | | 8,731 |
| Unallocated assets | | | | | | | 16,287 |
| Total assets | | | | | | | 31,151 |
| Segment liabilities | (3,662) | (98) | – | – | (28) | – | (3,788) |
| Current tax payable | | | | | | | – |
| Unallocated liabilities | | | | | | | (478) |
| Total liabilities | | | | | | | (4,266) |
| Capital expenditure | 154 | – | – | – | – | – | 154 |
| Depreciation of property, plant and equipment | 180 | 4 | – | – | – | – | 184 |

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

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

### 3. Operating loss

Operating loss is stated after charging the following:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Auditor's remuneration | | |
| – current year | **220** | 186 |
| – underprovided in prior year | **25** | – |
| Depreciation of property, plant and equipment | **271** | 184 |
| Staff costs, including directors' emoluments and amount classified as research and development expenses | **13,995** | 7,356 |
| Operating lease rentals of premises and facilities | **1,489** | 1,176 |
| Share of associate's taxation | **213** | 179 |

### 4. Taxation

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

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year (2010: Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in countries in which the Group operates.

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax | | |
| – Hong Kong profits tax | **13** | – |
| – Overseas tax | **56** | 8 |
| Taxation charge | **69** | 8 |

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the domestic taxation rates applicable to the loss of the consolidated companies is as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before taxation | **(5,090)** | (671) |
| Tax at the domestic income tax rate of 16.5% (2010: 16.5%) | **(840)** | (111) |
| Tax effect of income not subject to taxation | **(88)** | (111) |
| Tax effect of expenses that are not deductible in for taxation purposes | **876** | 441 |
| Tax effect of temporary differences for the year unrecognised | **(49)** | 1 |
| Tax effect of unrecognised tax losses for the year | **151** | – |
| Tax effect of utilisation of previously unrecognised tax losses | **–** | (320) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **19** | 108 |
| Taxation charge | **69** | 8 |

## 5. Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2011 (2010: Nil).

## 6. Loss per share

### *(a) Basic loss per share*

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

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year attributable to equity holders of the Company | **(5,193)** | (679) |
| Weighted average number of ordinary shares in issue during the year | **510,393,372** | 473,411,363 |
| Basic loss per share | **(1.02) cent** | (0.14) cent |

### *(b) Diluted loss per share*

No diluted loss per share has been calculated for the year ended 31 March 2011 and 2010 as the conversion of the Company's outstanding share options could result in a decrease in the loss per share.

## 7. Trade and other receivables

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **3,566** | 3,073 |
| *Less:* allowance for impairment of bad and doubtful debts | **(356)** | – |
| | **3,210** | 3,073 |
| Prepayments, other receivables and deposits | **1,228** | 684 |
| | **4,438** | 3,757 |

The credit period granted by the Group to its customers is generally 30 days. The ageing analysis of trade receivables, net of allowance, at the balance sheet date is as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Less than 30 days | **2,241** | 1,637 |
| 31 to 60 days | **969** | 652 |
| 61 to 90 days | **–** | 227 |
| Over 90 days | **–** | 557 |
| | **3,210** | 3,073 |

## 8. Trade and other payables

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **1,816** | 1,954 |
| Accrued expenses | **3,270** | 1,557 |
| Other payables | **1,482** | 755 |
| | **6,568** | 4,266 |

The ageing analysis of trade payables is as follows:

| | **2011** | 2010 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Less than 30 days | **528** | 641 |
| 31 to 60 days | **444** | 471 |
| 61 to 90 days | **180** | 220 |
| Over 90 days | **664** | 622 |
| | **1,816** | 1,954 |

In the opinion of directors, all trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

Mobile Telecom Network (Holdings) Limited and its subsidiaries (the "Group") recorded an audited loss of approximately HK$5.16 million for the financial year ended 31 March 2011. The Group has a turnover of approximately HK$24.43 million for the year compared to that of HK$18.13 million last year. The increase in the revenue was mainly attributable to our diversification into the apps development business. However, apps development is labour intensive; thus, the Group recorded a bigger loss as compared to HK$0.68 million for the last year as a result of higher employment and running costs and the costs of a general offer. Notwithstanding, the Group has managed to improve its gross profit margin at 57.1%, compared to 46.2% recorded in the last year.

## BUSINESS REVIEW

### Segmental Information

Among the various markets in the Asia Pacific region, Hong Kong/Macau is the main revenue contributor to the Group, accounting for 91.3% (2010: 94.0%) of the Group's turnover, while the People's Republic of China, Singapore, Taiwan and Australia generated approximately 3.1%, 2.6%, 0.5% and 0.4% respectively (2010: 0.0%, 2.5%, 1.5% and 1.0% respectively).

### Products and Services

Due to the market permeation by the iPhone and other smartphones, the Group has been refining current mobile value added services ("MVAS") to emphasise on application developments and mobile advertising. The Group is also exploring new business to complement the mobile business.

To diversify our business focus, the Group formed several new companies during the year to expand into other areas of opportunities. One related area is a new company focusing in Facebook games and application developments. Another company is being formed to explore real estate opportunities in Mainland China. We believe the Group will be benefited from the enhancement and diversification of business focuses from these new companies.

The Group has been selected by China Telecom GD China to offer new sport and game VAS services in Guangdong province of the PRC. For the mobile application business in the PRC, the Group is in partnership with GZ Daily（廣州日報）, one of the most popular local newspapers in the Guangdong province and offers a full extension to iPhone users. This iPhone application brings the latest & top breaking news on politics, current affairs, finance, entertainment, and sports information in 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.

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

We are participating in the operating of all the movie channels with all 6 mobile operators in Hong Kong, the Group has partnered with Nokia Hong Kong, Samsung Hong Kong, Microsoft Hong Kong to extend our Movie VAS services into mobile applications with their respective handset platform. The movie mobile application is very popular among smart phone users and connects the major cinema lines with their mobile ticketing services.

In the mobile application business, the Group has been appointed by consumer brands, device manufacturers, and mobile operators to design and create mobile applications on popular mobile platforms including iPhone, Android, Nokia, Microsoft, Blackberry, and Samsung Bada. Leveraging the Group's 10 years of mobile application development experience, we are vowed to deliver both a great experience for users and profit for partners. One of our highlights in mobile application is with one of our consumer clients – Citibank Hong Kong, whom launched its mobile application, in June 2010, and has successfully deployed on 5 major handset platforms including Apple App Store, Nokia Ovi Store, Microsoft Marketplace, Android Market, and Samsung App store. This mobile application not only allows the users to discover the hottest offers instantly based on where the application user is, but also receives the latest promotional and reward information. In the 1st quarter of our mobile application business, the Group has already deployed more than 10 different mobile applications for our clients, such as GZ Daily, Altira Macau, Metro Radio, Yahoo Hong Kong, GME Group, Hutchison 3HK, PCCW Mobile, etc.

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

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

The mobile entertainment segment is increasingly internet-bounded. The Group's Mobilesurf service platform for full entertainment service provisioning is relevant to this trend. Instead of a typical operator wall garden approach to content delivery, the launching of the iPhone brings internet content such as YouTube and Google Map mobile sites in a fashion that is similar to our Mobilesurf service platform. We plan to further expand our Mobilesurf platform to deliver content via the internet and to look for iPhone, Widget type of client application opportunities in China. The Group has also partnered with Hutchison 3HK to launch four key value added services on 3G iPhone (sold by Hutchison 3HK) which has been tied into the handset launching since 11 July 2008. On the other hand, the Group was also involved to develop a wide range of widget applications with different handset manufacturers.

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

Apart from diversifying for our value-added services, the Group is now deploying more resources into mobile application development. In order to strengthen the Group's ability to handle new business opportunities, the Group has employed more professional staffs to provide intensive and creative developments to our clients during the year.

**Sales and Marketing Activities**

The mobile industry is in a transition from simple short message and entertainment to sophisticated customer services and enterprise applications. The Group has recently embarked more significantly on mobile application development and in conjunction with mobile marketing. Mobile marketing applications in smartphones allow much better user experience and thus more options for advertisers to carry out targeted promotions. In addition, the Group has formed several alliances with strategic media partners to leverage its expertise to explore into enhancing our media revenue.

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

The Group is now deploying more value-added services with other sales channels in Malaysia, Singapore, Indonesia, Sri Lanka, Pakistan, Taiwan and Vietnam. The Group believes that more existing MVAS business can be extended to more operators in the Asia Pacific and will be expanding operations through partnership and/or acquisition in those countries.

## PROSPECT

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

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

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

In addition, the Group is working closely with mobile operators to strengthen our sports channel as well as the new football services riding on the World Cup. The Group believes sports channel shall be one of our key value added services in the mobile market and the Group is partnering with various media agencies to explore the mobile advertising into our Sports Channel. Other content services, such as Entertainment, Lifestyle & Leisure, Dining, Movie, Cartoon, Games, Fortune Telling, etc. will be made available as well. The Group is ideally positioned to benefit from this development, as the Group is currently one of the largest 3G content providers with the longest track record to provide 3G related services to operators in Hong Kong and it is also expected such services to be introduced soon in Singapore, Taiwan, and Malaysia, especially with Asian contents for Chinese communities in the region. In the advanced services, the Group shall deploy more interactive gaming services and video broadcasting services such as mobile TV in order to enhance the user behaviours on the mobile phone. In support of that, the Group has recently signed up with more content partners including established brands and leading gaming companies.

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

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

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

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

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

The Group is focusing its business to serve various brands to mobilise their contents and brands from more traditional media platforms. The Group is cooperating with handset manufacturers for efficient service provisioning. The efforts include pre-loading our applications on certain handsets, of which provide the uses with quick, optimised and easy access to internet contents and services. These devices will be made available to consumers in Hong Kong and, afterwards will be extending into a number of markets across Asia.

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

## DEVELOPMENTS SINCE THE FINANCIAL YEAR-END

On 15 February 2011, Gold Continental Investment Limited ("Gold Continental"), a wholly owned subsidiary of the Company, Poon Sum and Poon Sau Tin, each being a connected person (hereinafter referred as the "Vendors"), entered into an agreement pursuant to which Gold Continental has agreed to purchase and the Vendors has agreed to sell the entire issued share of Best Team International Investment Limited ("Best Team") ("Sales Share"), for a total consideration of HK$65.00 million. Best Team is principally engaged in investment holding. Upon completion of the reorganisation, the subsidiary of Best Team shall hold equity interests in the two PRC property development project companies.

Gold Continental paid HK$9.50 million to the Vendors in cash as the deposit and part payment of the consideration on the date of the agreement and shall pay another HK$20.50 million to Vendors in cash at the date of completion of the Sales Share. The remaining of HK$35.00 million is to be settled by issuance of HK$33.00 million convertible bonds (the "Convertible Bonds") and HK$2.00 million (the "Warrants").

The acquisition is completed on 3 June 2011. As at the date of this announcement the Company has not received any notice of the exercise of the conversion rights attached to the Convertible Bonds or subscription rights attached to the Warrants and no shares were issued pursuant to the conversion of the Convertible Bonds and Warrants.

On 4 April 2011, the Company proposed to raise not less than approximately HK$58.86 million before expenses, by way of an open offer of not less than 588,567,428 new shares and not more than 592,147,428 new shares at the subscription price of HK$0.1 per new share on the basis of one offer share for every share held on the record date and payable in full on acceptance (the "Open Offer"). Qualifying shareholders are not entitled to apply for excess offer shares not taken up in excess of their respective entitlements under the Open Offer; whereas the Open Offer will not be extended to the prohibited shareholders.

Pursuant to the prospectus issued by the Company dated 25 May 2011, the Board intends to apply such proceeds from the Open Offer for existing and potential mobile telecommunications related businesses, if appropriate, the property development projects in China after acquiring Best Team and payment of the cash consideration for 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) 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.

On 14 June 2011, the Open Offer has become unconditional; and the share certificates for the new shares were allotted and despatched on 20 June 2011. On 20 June 2011 and as at the date of this announcement the Company had 1,177,134,856 shares in issue.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a stable financial position. As at 31 March 2011, the Group had net current assets of approximately HK$22.74 million (2010: HK$17.85 million), of which approximately HK$24.88 million (2010: HK$10.18 million) were bank balances and cash. The Group's other current assets recorded at 31 March 2011 mainly comprised approximately HK$4.44 million (2010: HK$11.94 million) in trade receivables, other receivables, deposits and prepayments, which decreased by 62.8% when compared with previous financial year. Current liabilities of the Group increased by 54.3% amounting to HK$6.58 million (2010: HK$4.27 million). The Group did not have any long-term liabilities as at 31 March 2011.

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

## GEARING RATIO

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.16 as at 31 March 2011 (2010: 0.16).

## FOREIGN EXCHANGE EXPOSURE

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

## CAPITAL STRUCTURE

Pursuant to the placing agreement dated 4 November 2010, 90,000,000 new shares of US$0.01 each were issued and allotted to Ever Champion Trading Limited in November 2010 at a price of HK$0.2 per share. Details of which are set out in the Company's announcement dated 4 November 2010.

25,156,065 new shares of US$0.01 each were issued and allotted during the year upon exercise of share options granted by the Company.

Save as the above, there was no change in the capital structure of the Company during the year ended as at 31 March 2011.

## MATERIAL ACQUISITION AND DISPOSAL

The Group had no material acquisitions or disposals of subsidiaries during the year ended 31 March 2011.

## CHARGES ON THE GROUP'S ASSETS

As at 31 March 2011, the Group did not have any charges on the Group's assets.

## CONTINGENT LIABILITIES

As at 31 March 2011, the Group did not have any contingent liabilities.

## EMPLOYEE INFORMATION

As at 31 March 2011, the Group had a total of 60 employees in Hong Kong. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors' emoluments, amounted to approximately HK$13.99 million for the year ended 31 March 2011 (2010: HK$7.36 million). Share options and bonuses are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares since the date of listing.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

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

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practice (the "Code") except code provision A2.1 and A4.2, as set out in Appendix 15 of the GEM Listing Rules for the year ended 31 March 2011.

Code Provision A2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. With the relatively small size of the Group, the Executive Directors and the senior management staff can adequately undertake all the day-to-day business decisions without the official appointment of a chief executive officer for the Group. Instead, the Board has appointed two senior executives from the Group as President of the Asia Pacific Operation and President of China Operation, respectively. The Board believes that the balance of power and authority is adequately ensured under the existing arrangement.

Code Provision A4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Pursuant to the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire each year. The Company is a small company with five Executive Directors playing key management role. The Chairman of the Board and Executive Director, Dr. Chan Chung, is the founder of the Company, and his continuing leadership on the Board is important for the stable operation of the Company. The Management considers that there is no imminent need to amend the Articles of Association of the Company and concurs that the Chairman needs not be subjected to retirement by rotation.

## AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members comprising all independent non-executive directors namely Mr. Chiu Wai Piu, Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. During the year, the audit committee has met four times to review the Company's financial reporting process. The Company's annual results for the year ended 31 March 2011 have been reviewed by the audit committee of the Company.

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

Hong Kong, 28 June 2011

*As at the date of this announcement, the Board comprises five executive Directors, namely, Dr. Chan Chung (Chairman), Mr. Chan Wai Kwong, Peter, Mr. Siu King Nin, Peter, Mr. Choi Ho Yan and Mr. So Haw, Herman; and three independent non-executive Directors, namely, Mr. Chiu Wai Piu, Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric.*

*This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the day of its publication and on the Company's website at www.mtelnet.com.*