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 2013

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*

RESULTS

The board of Directors (the "Board") of the Company announces the audited consolidated results of the Company and its subsidiaries (collectively referred as the "Group") for the year ended 31 March 2013, together with the comparative audited figures for the corresponding year ended 31 March 2012 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2013

	Note	2013 HK$'000	2012 HK$'000
Turnover	*2*	**531,611**	31,602
Changes in inventories of finished goods		**(471,690)**	–
Other income	*3*	**7,547**	3,224
Telecom operators and content providers costs		**(9,599)**	(9,465)
Employment costs		**(30,763)**	(23,183)
Research and development expenses		**(11,348)**	(1,633)
Depreciation and amortisation		**(1,219)**	(544)
Transportation expenses		**(2,325)**	–
Other operating expenses		**(43,089)**	(14,237)
Loss from operations		**(30,875)**	(14,236)
Finance costs	*5*	**(6,028)**	(1,860)
Impairment losses on investments in associates and amounts due from associates		**(27,671)**	(5,556)
Share of losses of associates		**(4,168)**	(5,210)
Loss before tax		**(68,742)**	(26,862)
Income tax expense	*6*	**(1,434)**	–
Loss for the year	*7*	**(70,176)**	(26,862)
Loss for the year attributable to:			
Owners of the Company		**(71,503)**	(26,662)
Non-controlling interests		**1,327**	(200)
		(70,176)	(26,862)
Loss per share *(HK cents)*	*9*		
Basic		**(5.63)**	(2.50)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	2013	2012
	HK$'000	*HK$'000*
Loss for the year	**(70,176)**	(26,862)
Other comprehensive income, net of tax		
Exchange differences on translating foreign operations	**126**	518
Reclassification adjustments relating to deregistration of foreign operations	**–**	34
	126	552
Total comprehensive loss for the year	**(70,050)**	(26,310)
Total comprehensive loss for the year attributable to:		
Owners of the Company	**(71,433)**	(26,112)
Non-controlling interests	**1,383**	(198)
	(70,050)	(26,310)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Note	**2013** **HK$'000**	2012 HK$'000
Non-current assets			
Property, plant and equipment		**7,833**	2,080
Investment properties		**41,000**	30,000
Goodwill		**24,911**	–
Intangible assets		**128**	194
Investments in associates		**20,519**	45,749
Prepayments for property, plant and equipment		**3,941**	–
		98,332	78,023
Current assets			
Inventories		**63,518**	–
Trade, bills and other receivables, deposits and prepayments	*10*	**144,985**	8,569
Due from associates		**–**	2,204
Properties under development		**60,320**	59,986
Derivative financial assets		**13,350**	1,210
Put Options of convertible bonds		**3,235**	12,032
Mandatory conversion options of convertible bonds		**378**	–
Pledged bank deposits		**16,636**	–
Bank and cash balances		**15,821**	8,797
		318,243	92,798
Current liabilities			
Trade and other payables and receipt in advance	*11*	**128,154**	11,541
Due to an associate		**7,415**	4,297
Call Option of convertible bonds		**569**	466
Bank and other loans		**125,894**	–
Promissory notes		**5,200**	–
Liability component of convertible bonds		**30,493**	28,494
Finance lease payables		**756**	269
Warrant		**7,812**	–
Current tax liabilities		**1,380**	13
		307,673	45,080
Net current assets		**10,570**	47,718
Total assets less current liabilities		**108,902**	125,741
Non-current liabilities			
Liability component of convertible bonds		**18,294**	8,090
Finance lease payables		**–**	756
Deferred tax liabilities		**182**	–
		18,476	8,846
NET ASSETS		**90,426**	116,895
Capital and reserves			
Share capital		**107,019**	91,946
Reserves		**(38,008)**	6,643
Equity attributable to owners of the Company		**69,011**	98,589
Non-controlling interests		**21,415**	18,306
TOTAL EQUITY		**90,426**	116,895

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Attributable to owners of the Company											
	Share capital *HK$'000*	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Capital redemption reserve *HK$'000*	Foreign currency translation reserve *HK$'000*	Share-based payments reserve *HK$'000*	Warrant reserve *HK$'000*	Convertible bonds reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2011	45,959	47,759	16,375	2,943	581	11	–	–	(71,312)	42,316	38	42,354
Total comprehensive loss for the year	–	–	–	–	550	–	–	–	(26,662)	(26,112)	(198)	(26,310)
Issue of warrants on acquisition of subsidiaries	–	–	–	–	–	–	7,400	–	–	7,400	–	7,400
Issue of convertible bonds on acquisition of subsidiaries and associates	–	–	–	–	–	–	–	17,056	–	17,056	–	17,056
Shares issued upon open offer	45,909	12,948	–	–	–	–	–	–	–	58,857	–	58,857
Shares issued upon exercise of share options	78	62	–	–	–	–	–	–	–	140	–	140
Transactions costs attributable to issue of new shares	–	(2,335)	–	–	–	–	–	–	–	(2,335)	–	(2,335)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	17,976	17,976
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	490	490
Recognition of share option benefits at fair value	–	–	–	–	–	1,267	–	–	–	1,267	–	1,267
Transfer to share premium upon exercise of share options	–	65	–	–	–	(65)	–	–	–	–	–	–
Changes in equity for the year	45,987	10,740	–	–	550	1,202	7,400	17,056	(26,662)	56,273	18,268	74,541
At 31 March 2012	91,946	58,499	16,375	2,943	1,131	1,213	7,400	17,056	(97,974)	98,589	18,306	116,895
At 1 April 2012	**91,946**	**58,499**	**16,375**	**2,943**	**1,131**	**1,213**	**7,400**	**17,056**	**(97,974)**	**98,589**	**18,306**	**116,895**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**70**	**–**	**–**	**–**	**(71,503)**	**(71,433)**	**1,383**	**(70,050)**
Issue of convertible bonds on acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,636**	**–**	**7,636**	**–**	**7,636**
Transactions costs attributable to issue of new shares	**–**	**(327)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(327)**	**–**	**(327)**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,726**	**1,726**
Shares issued upon conversion of convertible bonds	**5,379**	**10,570**	**–**	**–**	**–**	**–**	**–**	**(7,700)**	**–**	**8,249**	**–**	**8,249**
Recognition of share option benefits at fair value	**–**	**–**	**–**	**–**	**–**	**7,033**	**–**	**–**	**–**	**7,033**	**–**	**7,033**
Shares issued upon placement	**9,694**	**9,570**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19,264**	**–**	**19,264**
Changes in equity for the year	**15,073**	**19,813**	**–**	**–**	**70**	**7,033**	**–**	**(64)**	**(71,503)**	**(29,578)**	**3,109**	**(26,469)**
At 31 March 2013	**107,019**	**78,312**	**16,375**	**2,943**	**1,201**	**8,246**	**7,400**	**16,992**	**(169,477)**	**69,011**	**21,415**	**90,426**

Notes:

1. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and derivative financial instruments which are carried at their fair values.

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2012. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

2. Turnover

The Group's turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the amounts received and receivable for services provided to customers during the year.

	2013	2012
	HK$'000	*HK$'000*
Sale of electronic parts and components	**494,595**	–
Service fee from provision of mobile data solutions and related services	**36,872**	31,602
Rental income	**144**	–
	531,611	31,602

3. Other income

	2013	2012
	HK$'000	*HK$'000*
Interest income	**233**	56
Net foreign exchange gains	**85**	–
Fair value gains on Put Options and Call Option of convertible bonds	**–**	2,839
Fair value gains on investment properties	**2,171**	–
Fair value gains on derivative financial assets	**3,860**	–
Reversal of allowance for impairment of bad and doubtful debts	**731**	316
Sundry income	**467**	13
	7,547	3,224

4. Segment information

The Group has four (2012: three) reportable segments as follows:

Trading of electronic parts and components	–	trading of electronic parts and components and provision of professional solution with engineering services
Mobile data solution business	–	provision of mobile data solution and related services
Property development	–	sale of developed properties
Property investment	–	rental income

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profit or loss does not include unallocated corporate results.

Information about reportable segment profit or loss:

	Trading of electronic parts and components *HK$'000*	Mobile data solution business *HK$'000*	Property development *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Year ended 31 March 2013					
Revenue from external customers	**494,595**	**36,872**	**–**	**144**	**531,611**
Segment profit/(loss)	**6,685**	**(6,386)**	**(7,692)**	**1,879**	**(5,514)**
Depreciation and amortisation	**206**	**633**	**318**	**–**	**1,157**
Year ended 31 March 2012					
Revenue from external customers	–	31,602	–	–	31,602
Segment profit/(loss)	–	(5,685)	(6,775)	(261)	(12,721)
Depreciation and amortisation	–	368	103	–	471

Reconciliations of reportable segment revenue, profit or loss:

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Total revenue of reportable segments	**531,611**	31,602
Profit or loss		
Total loss of reportable segments	**(5,514)**	(12,721)
Unallocated corporate results	**(64,662)**	(14,141)
Consolidated loss for the year	**(70,176)**	(26,862)
Other material items – depreciation		
Total depreciation and amortisation of reportable segments	**1,157**	471
Unallocated amounts:		
Depreciation of property, plant and equipment for corporate use	**62**	73
Consolidated depreciation and amortisation	**1,219**	544

Geographical information

Over 90% of the Group's segment non-current assets are located in Hong Kong. Accordingly, no geographical analysis is presented based on the location of assets.

Majority of the revenue generated by the Group for the year ended 31 March 2013 were attributable to customers based in the PRC (2012: Hong Kong).

Turnover from major customers

	2013	2012
	HK$'000	*HK$'000*
Customer a	**–**	7,200
Customer b	**–**	1,000
Customer c	**–**	700
Customer d	**134,486**	–

5. Finance costs

	2013	2012
	HK$'000	*HK$'000*
Effective interest expenses on liability component of convertible bonds	**3,010**	1,851
Interest on bank loans	**1,928**	–
Interest on other loan	**1,065**	–
Finance leases charges	**25**	9
	6,028	1,860

6. Income tax expense

	2013	2012
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**1,495**	–
Over-provision in prior years	**(59)**	–
Deferred tax	**(2)**	–
Income tax expense	**1,434**	–

Hong Kong Profits Tax is provided at 16.5% (2012: 16.5%) based on the assessable profit for the year.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of loss before tax multiplied by the Hong Kong profits tax rate is as follows:

	2013	2012
	HK$'000	*HK$'000*
Loss before tax	**(68,742)**	(26,862)
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	**(11,342)**	(4,432)
Tax effect of income that is not taxable	**(383)**	(525)
Tax effect of expenses that are not deductible	**13,233**	5,406
Tax effect of temporary differences not recognised	**39**	(36)
Tax effect of tax losses not recognised	**1,133**	529
Over-provision in prior years	**(59)**	–
Tax effect of utilisation of tax losses not previously recognised	**(283)**	(211)
Effect of different tax rates of subsidiaries	**(904)**	(731)
Income tax expense	**1,434**	–

7. Loss for the year

The Group's loss for the year is stated after charging/(crediting) the following:

	2013	2012
	HK$'000	*HK$'000*
Acquisition-related costs (included in other operating expenses)	**1,518**	2,880
Amortisation of intangible assets	**66**	6
Auditor's remuneration		
Current	**788**	498
Under-provision in prior year	**154**	82
	942	580
Cost of inventories sold	**471,690**	–
Property, plant and equipment written off	**30**	8
Depreciation of property, plant and equipment	**1,153**	538
Directors' emoluments		
– As directors	**678**	459
– For management	**6,408**	5,605
	7,086	6,064
Fair value (gain)/loss on investment properties	**(2,171)**	143
Direct operating expense of investment properties that generate rental income	**15**	–
Direct operating expenses of investment properties that did not generate rental income	**100**	–
Fair value loss on warrant	**6,612**	–
Fair value (gain)/losses on derivative financial assets		
– Call options	**(3,860)**	170
– Profit guarantee	**–**	130
Derivative financial assets written off	**1,210**	–
Loss on deregistration of a subsidiary	**–**	34
Fair value losses/(gain) on Put Option, Call Option and Manadatory Conversion Option of convertible bonds	**6,887**	(2,839)
Fair value loss on conversion of convertible bond	**2,733**	–
Operating lease charges of premises and facilities	**3,834**	2,530
Research and development expenses		
– Staff costs	**9,897**	1,633
– Other expenses	**1,451**	–
	11,348	1,633
Inventories written off	**5**	–
Allowance for impairment of bad and doubtful debts	**1,393**	250
Bad debt written off	**10**	–
Impairment losses on investments in associates and amounts due from associates	**27,671**	5,556
Staff costs including directors' emoluments and amount classified as research and development expenses		
Salaries and allowances	**32,575**	22,726
Share-based payments	**7,033**	1,267
Retirement benefit scheme contributions	**1,119**	756
Termination benefits	**(67)**	67
	40,660	24,816

8. Dividend

The Directors have not declared nor proposed any dividends in respect of the year ended 31 March 2013 (2012: Nil).

9. Loss per share

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$71,503,000 (2012: approximately HK$26,662,000) and the weighted average number of ordinary shares of 1,269,821,250 (2012: 1,068,193,118) in issue during the year.

(b) Diluted loss per share

As the exercise of the Group's outstanding convertible bonds, warrants and options for the years ended 31 March 2013 and 2012 would be anti-dilutive, no diluted loss per share was presented for the years ended 31 March 2013 and 31 March 2012.

10. Trade, bills and other receivables, deposits and prepayments

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**46,200**	3,580
Less: Allowance for impairment of bad and doubtful debts	**(1,180)**	(290)
	45,020	3,290
Bills receivables	**58,288**	–
Other debtors, deposits and prepayments	**41,677**	5,279
	144,985	8,569

The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**36,127**	2,392
31 to 60 days	**6,835**	522
61 to 90 days	**2,058**	114
Over 90 days	**–**	262
	45,020	3,290

11. Trade and other payables and receipt in advance

	2013	2012
	HK$'000	*HK$'000*
Trade payables	**36,401**	1,458
Other payables	**87,156**	10,083
Receipt in advance	**4,597**	–
	128,154	11,541

The ageing analysis of trade payables of the Group, based on the date of delivery, is as follows:

	2013	2012
	HK$'000	*HK$'000*
0 to 30 days	**24,268**	295
31 to 60 days	**8,609**	269
61 to 90 days	**2,684**	8
Over 90 days	**840**	886
	36,401	1,458

12. Events after the reporting period

(a) On 18 February 2013, the Group entered into a placing agreement with Delta Wealth Securities Limited in respect of the placement of 20 tranches 5% interest bearing bond of HK$5,000,000 each to independent investors, HK$20,000,000 bonds have been completed as at the date of this announcement.

(b) On 30 May 2013, the Group entered into an agreement (as supplemented by the supplemental agreement dated 31 May 2013) with a connected party to acquire 70% of the issued share capital of Best Worldwide Corporation Limited ("Best Worldwide") at an aggregate consideration of HK$109,375,000. Best Worldwide has investment in an associate which is a property development project company in the PRC.

Further details of the proposed acquisition are set out in the Company's announcements dated 30 May 2013 and 31 May 2013. The proposed acquisition has not been completed as at the date of this announcement.

(c) On 5 June 2013, the Company entered into a conditional placing and subscription agreement with a placing agent and a substantial shareholder of the Company for placing of up to an aggregate of 274,000,000 existing placing shares held by the substantial shareholders to the placing agent at the placing price of HK$0.085 per placing share and the subscription of up to 274,000,000 new subscription shares by the substantial shareholder at the subscription price of HK$0.085 per subscription share.

Details of the share placement are set out in the Company's announcement dated 5 June 2013. The share placement has been completed on 18 June 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Segments

The principal activities of the Group for this financial year can be classified into the following four main categories:

- Mobile application and data solution business;
- Trading of electronic parts and components in relation to display modules and touch panel modules, and provision of professional solution with engineering services;
- Property development; and
- Property investment

Mobile application and data solution business

The Group carries out this operation under the brand of "MTel". This can further be classified into the following major areas:

- **Mobile Value-Added Service**
- **Mobile Application Development**
- **IT Outsourcing and Consultation**
- **Game Development**

For **Mobile Value-Added Service**, the Group operates over 100 value-added services with over 30 mobile network operators in 15 countries, mainly focusing in popular topics, such as:–

– sports news (including live score update around the globe, with odds and analysis)

– movies info (including real-time available seating plan and in-Apps purchase of movie tickets)

– music channels

In **Mobile Application Development**, the Group maintained its strong and renowned position in all popular mobile platforms (such as iOS, Android, Window 8, Blackberry, etc). We, now, provide development, execution and implementation in technological developments and services (including cross-platforms realisation) for our clients a more complete technical service. At the same time, by understanding the needs of our clients, we offer additional services beyond the capacity of a developer/programmer, i.e. our "MTel" integrated services, such as inclusion of areas of marketing related activities such as number of downloads and Apps-launch related promotional campaigns, etc. Currently, our clients include the Hong Kong Jockey Club, the Hong Kong Airport Authority, major retail banks in Hong Kong and Macau, reputable fashion and entertainment magazines, international brokerage houses and hotel brands, and utility and public transport providers in Hong Kong.

The Group is also proud to have received the Gold Award of Best Lifestyle (Social, Communications & Media) Award of the Hong Kong ICT Awards with one of our in-house developed mobile applications (available on both iOS and Android platforms), namely **Movie Express（電影速遞）**. The Hong Kong ICT Awards (often dubbed as the "IT Oscars") were established in 2006 under a collaborative effort amongst the industry, the academia and the HKSAR Government.

With the adoption of UX design, our Movie Express application provides a mobile platform to allow movie lovers to reach the latest and fastest movie information like trailers, stills, critics and schedules. It also builds up a communication platform for users to connect with their friends and share their thoughts related to movies through Facebook and WeChat. On top of that, by using the Augmented Reality (AR) technology, users can also interact with virtual reality by scanning movie posters and easily experience all fruitful features. In addition, our Movie Express application has won Gold Award/Special Mention (Cloud Computing) of the HKICT Award.

For **IT Outsourcing and Consultation**, we strive to provide the best tailored solutions to our clients. This is done by collaborating with our clients and inputting our technical knowledge, where we aim to leverage our clients' value to their customers in an all-rounded way, whether our customers are in the industry of banking and finance, insurance, telecommunications and many more. Our relentless refinements enabled unique and specific experiences designed to allow our clients to achieve what are desired by their targeted customers. Our existing clients included Three Mobile (Hong Kong and Macau), Bank of China (Hong Kong and Macau), Standard Chartered Bank (Hong Kong), LUXE City Guides, The Hong Kong Jockey Club, China Light Power, and Vietnamobile, just to name a few.

For **Game Development**, the Group serves our clients in the capacity of digital creative consultancy with specialisation in game/interactive application production on the mobile, web, and social networking platforms. Over the years we have gathered extensive knowledge and proven track records in digital advertising, viral marketing and social game/community operations.

Trading of electronic parts and components in relation to display modules and touch panel modules, and provision of professional solution with engineering services

The Group carries out this operation under the brand of "ETC". Today, ETC has been in the market for more than 10 years, with over 7 years of excellent agency service contracts and continuing with two of the most renowned suppliers of electronic parts and components in relation to display modules and touch panel modules, both of these companies are listed on the Taiwan Exchange.

Top 10 customers of ETC for the year ended 31 March 2013 accounted to approximately 67.0% of its turnover. Our customers include reputable brands and sizeable merchandisers whose customers include ZTE, Tian Ma, Lenovo, Huawei, Konka, LG and Haier, etc.

Property development and Property investment

With the recently announced proposed acquisition of a new real estate development project, the Group is expected to have 3 property development projects in the PRC; one is held in our 25% owned associated company, another is held in one of our subsidiaries and the newest to be acquired one with 35% is to be held as an associate company (if completed). At the moment, one of the development projects is coming to an end with the respective partners are now actively working on the sale of the final few remaining residential and commercial units; meanwhile planning and construction developments are in progress for the latter two projects fore-mentioned. The Group remains to hold 2 residential properties for investment purpose in Hong Kong. Both have been successfully leased out providing the Group with stable assets foundation and returns.

Prospects

Affected by the worldwide financial crisis, Hong Kong market recovery seems to remain sluggish with unexpected fluctuation by outside events. To consolidate our foundation, the Group has been concentrating on investing in human resources and sound businesses in particularly to strengthen our key businesses in targeted markets and be prepared for potential opportunities in the future.

With the on set of the most sophisticated mobile internet and smartphones available, the Group is dedicated to the sustainable development of long term game-related and infotainment products for local and worldwide markets and provides a wide range of digital and innovative solution consultancy services to enterprises in banking and finance and other vertical industries of enterprises customers. The Group is focused to use technology and interactive experience solutions to differentiate from others and serve to the objectives of our customers in the market including the augmented reality, NFC solutions, multi-touch with Microsoft Pixelsense platform. In addition to mobile gaming, the Group shall release a new game title – Maximus, a ARPG action game with the success of Toonshooters which featured by the Apple App Store in early this year of 2013, followed by another 2 new game titles to be released in the upcoming quarters.

In particular to the real estate market in the PRC, any potential new government regulations may deter the recent growth of the PRC market. The real estate market outlook of the country plus various regional reasons could affect our invested real estate development project, all being within the Guangdong province. Given, residential need is a basic requirement for the large population in particular for the newly-weds and younger generation moving up the social ladder plus the wish of returning to birthplace and family reunion which is a Chinese tradition plus the consistent growing trend of the real estate market. In view of these reasons, we expect the effect is likely to be limited, most importantly, recent increase in prices and numbers of transaction have shown demands and the purchasing powers of the actual users do exist. That said, consumers in the PRC are being vigilance and watchful to the country's economic conditions, due caution and prudence will be exercised during the planning and execution of our development projects, such as keeping costs to the minimal.

Touch-screen panels are used in many applications most notably the latest hit is on mobile phones and tablets. These are driven heavily first by Apple and now also Samsung, HTC, Microsoft and Blackberry. With more designs in size and specifications, the sector is divided in several pricing categories with technical cost being driven down. There are now cheaper versions of the same technology providing for the consumers to choose. With the increasing popularity and applications of touch-screen panels being used in more aspects of our daily life, the Group is optimistic that this hardware technology is the direction to continue. In September 2012, the Group completed the acquisition of the 75% interests in ETC, where it engaged in trading of electronic parts and components in relation to display modules and touch panel modules. It also provides professional solution with engineering services to meet individual customers needs. The industrial outlook continues to be strong as the market for the technology continues to boom. To increase margins, the Group will refine the business operations to minimise non-value added expenses.

In continuance to diversify the Group's existing business strategies through both vertical and horizontal integrations and maximise the return of the shareholders, the Group will be identifying further investment opportunities to maintain growth.

FINANCIAL REVIEW

Revenue and results

For the year ended 31 March 2013, the Group recorded a turnover of approximately HK$531,611,000 (2012: approximately HK$31,602,000), representing an increase of 1,582.2% over the same period of last year. The increase was mainly attributable to the successful completion of the very substantial acquisition, namely ETC Technology Limited ("ETC"). ETC is principally engaged in the trading of electronic parts and components in relation to display modules and touch panel modules. ETC contributed turnover of approximately HK$494,595,000 to the Group for the period between the date of acquisition and 31 March 2013.

Loss attributable to owners of the Company for the year ended 31 March 2013 was approximately HK$71,503,000 (2012: approximately HK$26,662,000), representing an increase of 168.2% on previous year. The loss per share was 5.63 HK cents (2012: 2.50 HK cents). The increase in loss was mainly due to the charging of fair value of approximately HK$6,612,000 of the issued warrants, the increase in share-based payment expenses of approximately HK$5,766,000 recognised in current year, the losses on change in fair value of approximately HK$6,887,000 on issued convertible bonds, the increase in finance costs of approximately HK$4,168,000, the increase in impairment losses of approximately HK$22,115,000 in respect of investments in associates and amounts due from associates.

Segment information

Trading of electronic parts and components

This segment was newly acquired in September 2012. It contributed revenue and profit of approximately HK$494,595,000 and HK$6,685,000 respectively to the Group for the period between the date of acquisition and 31 March 2013.

Mobile application and data solution business

Revenue for the year ended 31 March 2013 grew by 16.7% from approximately HK$31,602,000 for 2012 to approximately HK$36,872,000 for 2013, which was attributable to the growth in its overall customer base and the diversification into the mobile application development business. Loss for the year increased by 12.3% from approximately HK$5,685,000 for 2012 to HK$6,386,000 for 2013, which was mainly due to the impairment loss in respect of investment in an associate and amounts due from the associate.

Property development

No revenue was generated and it recorded a loss of approximately HK$7,692,000 for 2013, an increase of 13.5% from a year ago.

Property investment

Property investment recorded revenue of approximately HK$144,000 whereas no revenue was generated for 2012 and recorded a profit of approximately HK$1,879,000 for 2013 as compared to a loss of approximately HK$261,000 for 2012, which was mainly attributable to the gain on change in fair value of the investment properties.

Liquidity and financial resources

The Group financed its operations with the revenue generated from its operations, the net proceeds from placement and banking facilities provided by its bankers in Hong Kong. The Group had total outstanding borrowings of approximately HK$176,006,000 as at 31 March 2013 (2012: approximately HK$38,075,000). 89.6% (2012: 76.8%) of the borrowings are considered as current liabilities and repayable within one year, the remaining are repayable in three years. HK and US dollar denominated borrowings accounted for 46.1% (2012: 100%) and 53.9% (2012: 0%) of the total borrowings respectively. 65.3% (2012: 0%) of borrowings are interest bearing bank loans on floating rate terms, 6.3% (2012: 0%) of borrowings are interest bearing other loans on fixed rate terms, 28.0% (2012: 97.3%) are non-interest bearing convertible bonds and the remaining 0.4% (2012: 2.7%) are interest bearing finance lease obligation as fixed interest rate.

At 31 March 2013, the Group had cash reserves of approximately HK$15,821,000 (2012: approximately HK$8,797,000). Most of the cash reserves were placed with major banks in Hong Kong and the PRC.

The gearing ratio as at 31 March 2013 was 194.6% (2012: 32.6%). The gearing ratio was derived by dividing the total borrowings including the bank and other loans, convertible bonds and finance lease payables of approximately HK$176,006,000 (2012: approximately HK$38,075,000) by the amount of shareholders' equity of approximately HK$90,426,000 (2012: approximately HK$116,895,000). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 103.4% (2012: 205.9%).

The management of the Company will continue to make good effort to improve the liquidity condition. Measures will include but not limited to tightening of costs control, expansion of current businesses, the securing of additional loan facilities and/or raising funds from the capital market.

FOREIGN EXCHANGE EXPOSURE

The income and expenditure of the Group are mainly denominated in HK dollar, US dollar 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 has been implemented.

CAPITAL STRUCTURE

During the year ended 31 Mach 2013, a total of 68,965,517 ordinary shares of the Company were allotted and issued as a result of the conversion of the convertible bonds. Share premium increased by approximately HK$10,570,000 accordingly.

Pursuant to the placing and subscription agreement dated 26 November 2012, 124,288,000 ordinary shares of the Company were allotted and issued on 7 December 2012 at a price of HK$0.155 per share. Details of the transaction are set out in the Company's announcement dated 26 November 2012 and 7 December 2012.

Save as disclosed above, there was no change in the capital structure of the Group during the year.

SIGNIFICANT INVESTMENTS

For the acquisition of 33.33% of Jun Feng Enterprise (HK) Limited ("Jun Feng") and its subsidiaries (collectively as the "Jun Feng Group") as announced on 28 September 2011, each of Mr. Ke Lizhi ("Mr. Ke"), Mr. Jiang Heng Liang ("Mr. Jiang") and Mr. Li Jianhong ("Mr. Li"), being the original shareholders before the acquisition, has provided a profit guarantee to the Group that the audited consolidated net profits after taxation and extraordinary or exceptional items of the Jun Feng Group for the year ended 30 September 2012 shall not be less than HK$10,000,000. As stipulated in the shareholders agreement entered into among Jun Feng, Mr. Ke, Mr. Jiang, Mr. Li and the Group, the profit guarantee of not less than HK$10,000,000 shall be ascertained by an external auditor. And, the performance of the profit guarantee provided by Mr. Ke, Mr. Jiang and Mr. Li is secured by the share charges on 1,666,667 Jun Feng shares, 833,333 Jun Feng shares and 833,333 Jun Feng shares, respectively in favour of the Group.

In the second quarter for the financial year, impairment loss on the investment in Jun Feng has been made. This was mainly attributable to fierce competitions (including hostile pricing strategy) being put on by other manufacturers of LCD and touch-screen panels in the PRC, when this period was traditionally the beginning of the high season for meeting orders to be shipped out for the festive periods near the year end). This forced thin margins on the factory and eventually priced out of competition causing material loss and resources wasted. The Group has taken into consideration the future operational aspects and profitability of Jun Feng. Given that there may not be any immediate upturns in the current business situations of Jun Feng, no positive cashflow being generated, and the uncertainties of the rest of respective shareholders being willing to provide further financial assistances (if and when necessary), the Group considered that it is prudent to make such impairment and provide such provision for losses.

Given the current status of Jun Feng and that the related profit guarantee, the Group is monitoring any changes in circumstances and/or developments; and it reserves the right to exercise such charges pending on the future development of Jun Feng.

MATERIAL ACQUISITIONS AND DISPOSALS

On 22 February 2012, the Group entered into an agreement (as supplemented by the supplemental agreement dated 15 March 2012) (the "Agreement") with Mr. Chan Wan Kim and Mr. Wong Chun Wai (together with Mr. Chan Wan Kim, the "Vendors") pursuant to which the Group has agreed to purchase and the Vendors have agreed to sell 75% of the issued share capital of ETC for a total consideration of HK$39,000,000. The consideration is to be satisfied as to HK$10,400,000 in cash, as to HK$23,400,000 by way of issuance of convertible bonds and as to HK$5,200,000 by way of issuance of promissory notes. Details of the acquisition are set out in the Company's circular dated 23 August 2012. The transaction has been completed on 10 September 2012.

The Vendors issued a guarantee to the Group whereby the audited consolidated net profits after tax and any extraordinary or exceptional items of ETC will not less than HK$8,000,000 for the year ended 31 March 2013 and each of the two years ending 31 March 2014 and 31 March 2015 (the "Profit Guarantee"). If the actual audited consolidated net profit after tax and any extraordinary or exceptional items of ETC is less than HK$8,000,000, the Vendors shall pay to the Group in cash for the shortfall on a dollar to dollar basis. Should ETC record a loss in its audited financial statements for the year ended 31 March 2013 and each of the two years ending 31 March 2014 and 31 March 2015, the Vendors shall pay HK$8,000,000 to the Group for such year. The Profit Guarantee for the year ended 31 March 2013 has been met.

The Vendors also issued a guarantee to the Group whereby the current assets of ETC less (i) cash and bank balances and (ii) prepayments, as shown in the unaudited consolidated statement of financial position of ETC as at 31 January 2012 (the "Net Current Assets") will be recoverable in full by ETC before the date falling 90 days after the completion of the Agreement (the "Completion Date"). If the Net Current Assets is not recovered in full by ETC before the date falling 90 days after the Completion Date, then the Vendors shall pay to the Group in cash for the amount of the Net Current Assets not recovered in full by ETC (the "Shortfall Amount") on a dollar to dollar basis on the date falling 90 days after the Completion Date.

If the Shortfall Amount is more than HK$5,200,000, the Vendors shall satisfy the payment of the Shortfall Amount by:

(a) offsetting HK$5,200,000 of the Shortfall Amount against the principal amount of the promissory notes; and

(b) offsetting the amount exceeding HK$5,200,000 against the principal amount of the convertible bonds.

The Net Current Assets recoverability guarantee has been met.

Save as disclosed, the Group did not make any material acquisitions or disposals during the year ended 31 March 2013.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2013, the Group pledged the following assets to secure other loans and bank loan facilities of the Group:

(i) the investment properties with fair value of HK$41,000,000 (2012: Nil);

(ii) the leasehold properties with carrying amount of approximately HK$4,936,000 (2012: Nil);

(iii) bank deposits of approximately HK$16,636,000 (2012: Nil).

And, a leased motor vehicle with carrying amount of approximately HK$825,000 (2012: approximately HK$1,134,000) was charged to secure the Group's finance lease payables.

CONTINGENT LIABILITIES

ETC, a 75% owned subsidiary of the Group, has entered into a guarantee agreement with a bank providing a guarantee with respect to a mortgage loan granted by the bank to a related party of ETC since 2011, of which HK$2,762,000 have been outstandings as at 31 March 2013. Under the guarantee agreement, ETC would be liable to pay the bank should the bank be unable to recover the repayment of the loan in full from the related party. As at 31 March 2013, no provision for ETC's obligation under the guarantee agreement has been made as the Directors considered that it was not probable that the repayment of the loan would be in default.

Except for the above, the Group did not have any significant contingent liabilities as at 31 March 2013 (2012: Nil).

EMPLOYEE INFORMATION

As at 31 March 2013, the Group had a total of 136 employees of which 100 were based in Hong Kong while the rest were located in the PRC. 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$40,660,000 for the year ended 31 March 2013 (2012: approximately HK$24,816,000). Share options and bonuses are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 March 2013, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules except for the deviations from code provisions A.2.1, A.4.2, A.6.7, C.1.2 and E.1.2 which are explained as follows:

Under the code provision A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The Company appointed a chief executive officer of the Company in December 2012 and since the demise of the chairman of Board in December 2012, the role of chairman of the Board has been left vacant. The Company will continue to review the effectiveness of the Group's corporate governance structure and consider the appointment of a chairman of the Board if candidates with suitable leadership, knowledge, skills and experience can be identified within or outside the Group.

Under the code provision A.4.2, 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 former articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being 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. Since the demise of the chairman of Board in December 2012, the role of chairman of the Board has been left vacant. With the adoption of the amended and restated articles of association of the Company in March 2013, the chairman of the Board and/or the managing director of the Company shall, 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.

Under the code provision A.6.7, independent non-executive Directors should attend general meetings of the Company. Two independent non-executive Directors were unable to attend the annual general meeting (the "AGM") of the Company held on 2 August 2012 and all independent non-executive Directors were unable to attend three extraordinary general meetings of the Company held on 30 April 2012, 10 September 2012 and 25 March 2013 due to their other business engagements.

Under the code provision C.1.2, management should provide all Directors with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient details to enable the Board as a whole and each Director to discharge their duties. During the first half of 2012, quarterly updates and periodic instant updates when developments arising out of the ordinary business instead of monthly updates were provided to the Directors. From November 2012 the Company has changed its practice to provide all Directors with monthly updates.

Under the code provision E.1.2 which provides that the chairman of the Board should attend the AGM. The Chairman of the Board did not attend the AGM due to sick leave. Four (out of five) executive Directors and members of audit, remuneration and nomination committees and the financial controller of the Company attended the AGM. The Company considers that their presence is sufficient for (i) answering questions from and (ii) effective communication with shareholders attended the AGM.

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 of the independent non-executive Directors namely Mr. Chiu Wai Piu, Mr. Cheung Kwan Hung, Anthony and Mr. Heung Chee Hang, Eric.

The audit committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing and monitoring the external auditors' independence; reviewing the quarterly reports, interim report, annual report and accounts of the Group; and overseeing the Company's financial reporting system and internal control procedures.

The audit committee has reviewed the audited results for the year ended 31 March 2013 and has provided advice and comments thereon.

By Order of the Board
Mobile Telecom Network (Holdings) Limited
Choi Ho Yan
Executive Director

Hong Kong, 20 June 2013

As at the date of this announcement, the Board comprises four executive Directors, namely, 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 date of its publication and on the Company's website at www.mtelnet.com.