



# 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)*

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

*The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*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 GEM (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:- (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## AUDITED RESULTS

The Board of Directors (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2003, together with the comparative audited figures for the previous year as follows:

	<i>Notes</i>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Turnover	4	4,325	1,170
Other revenue	4	15	484
Materials and equipment		(1,211)	(637)
Employment costs		(3,053)	(9,943)
Research and development expenses		(2,321)	(3,066)
Depreciation of fixed assets		(2,487)	(2,968)
Other operating expenses		<u>(3,989)</u>	<u>(12,153)</u>
Loss from operations		(8,721)	(27,113)
Finance cost	5	<u>(29)</u>	<u>—</u>
Loss before taxation	6	(8,750)	(27,113)
Taxation	7	<u>—</u>	<u>—</u>
Loss attributable to shareholders	8	<u>(8,750)</u>	<u>(27,113)</u>
Loss per share			
— Basic		<u>2.7 cents</u>	<u>6.7 cents</u>

## 1 Organisation and operations

The Company was incorporated in the Cayman Islands on 25 May 2000 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Its shares have been listed on the GEM of the Stock Exchange since 9 May 2003.

The Company is an investment holding company. Its subsidiaries are principally engaged in the development and provision of mobile data solutions and related services.

## 2 Principal accounting policies

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”).

In the current year, the Group has adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 34:	Employee benefits

Except for certain presentation changes which have been made upon the adoption of SSAP 1 (revised) and SSAP 15 (revised), the adoption of the above new/revised SSAPs had no significant impact on the accounts.

The 2002 comparative figures presented herein have incorporated the effect on the adoption of the new/revised SSAPs.

## 3 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Significant transactions with related parties are summarised below:

<b>Name of related party/Nature of transactions</b>	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Service fees from provision of mobile data solutions and related services		
— Vodatel Holdings Limited (i)	780	—
— Guangzhou Videotex Information Service Company Limited (i)	<u>222</u>	<u>—</u>
	<u>1,002</u>	<u>—</u>
Fees for provision of mobile messaging service		
— United Overseas Bank Limited (ii)	<u>50</u>	<u>—</u>
Fees for development of customised software		
— Dataguard International Limited (iii)	1,201	—
— Chinese 2000 Technology Limited (iv)	<u>400</u>	<u>—</u>
	<u>1,601</u>	<u>—</u>
Sales of MobileSurf-installed pocket personal computers and computer accessories		
— Vodatel Holdings Limited (i)	<u>—</u>	<u>17</u>
Purchase of computer accessories		
— Mega Technologia Informatica Lda (i)	<u>169</u>	<u>—</u>

*Notes:*

- (i) Vodatel Holdings Limited is the holding company of Vodatel Information Limited, a substantial shareholder of the Company. Guangzhou Videotex Information Service Company Limited and Mega Technologia Informatica Lda are subsidiaries of Vodatel Holdings Limited, the holding company of Vodatel Information Limited, a substantial shareholder of the Company.
- (ii) United Overseas Bank Limited is the holding company of OUB.com Pte Ltd., a substantial shareholder of the Company.
- (iii) Dataguard International Limited is beneficially owned as to 51% by Mr. Chan How Chung, Victor, who is also the beneficial owner of Universal Line Venture Limited, a substantial shareholder of the Company. It has become an associate of the Group since 30 September 2002.
- (iv) Chinese 2000 Technology Limited is beneficially owned as to 49% by Culturecom Holdings (BVI) Limited, the holding company of Go Capital Limited, a substantial shareholder of the Company.

In the opinion of the Director and the Group's management, the above related party transactions were carried out in the usual course of business of the Group, on normal commercial terms and, where applicable, in accordance with terms of the contracts entered into by the Group and the related parties.

#### 4 Turnover and revenue and segment information

Turnover and revenue consisted of:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Turnover		
Sales of MobileSurf-installed pocket personal computers and computer accessories	498	550
Subscription fees from provision of MobileSurf service	104	287
Service fees from provision of mobile data solutions and related services	1,655	333
Fees for development of customised software	1,881	—
Fees for provision of mobile messaging services	<u>187</u>	<u>—</u>
	4,325	1,170
Interest income	<u>15</u>	<u>484</u>
Total revenue	<u><u>4,340</u></u>	<u><u>1,654</u></u>

Approximately 72% (2002: 60%) of the Group's turnover for the year was made to its top five customers.

No segment information by business segment is presented as the Group operates in one business segment - mobile data solutions.

Analysis by geographical location is as follows:

	<b>Hong Kong/ Mainland</b>				<b>The United States of</b>	
	<b>Macau</b>	<b>China</b>	<b>Singapore</b>	<b>Taiwan</b>	<b>America</b>	<b>Total</b>
	<b>2003</b>	<b>2003</b>	<b>2003</b>	<b>2003</b>	<b>2003</b>	<b>2003</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover*	<u>4,067</u>	<u>222</u>	<u>25</u>	<u>11</u>	<u>—</u>	<u>4,325</u>
Segment result profit/(loss)	<u>(5,884)</u>	<u>102</u>	<u>(1,088)</u>	<u>(915)</u>	<u>(45)</u>	(7,830)
Unallocated cost						<u>(891)</u>
Loss from operations						(8,721)
Finance cost						<u>(29)</u>
Loss before taxation						(8,750)
Taxation						<u>—</u>
Loss attributable to shareholders						<u>(8,750)</u>
Segment assets	2,413	—	133	305	21	2,872
Unallocated assets						<u>3,929</u>
Total assets						<u>6,801</u>
Segment liabilities	(955)	—	(107)	(26)	(27)	(1,115)
Unallocated liabilities						<u>(5,576)</u>
Total liabilities						<u>(6,691)</u>
Capital expenditure	22	—	—	—	—	22
Depreciation	<u>1,950</u>	<u>—</u>	<u>292</u>	<u>235</u>	<u>10</u>	<u>2,487</u>

	<b>Hong Kong/ Mainland</b>				<b>The United States of America</b>	<b>Total</b>
	<b>Macau</b>	<b>China</b>	<b>Singapore</b>	<b>Taiwan</b>	<b>America</b>	<b>Total</b>
	<b>2002</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover*	<u>551</u>	<u>19</u>	<u>505</u>	<u>95</u>	<u>—</u>	<u>1,170</u>
Segment result profit/(loss)	<u>(16,254)</u>	<u>(125)</u>	<u>(2,795)</u>	<u>(4,134)</u>	<u>(1,214)</u>	(24,522)
Unallocated cost						<u>(2,591)</u>
Loss from operations						(27,113)
Finance cost						<u>—</u>
Loss before taxations						(27,113)
Taxation						<u>—</u>
Loss attributable to shareholders						<u>(27,113)</u>
Segment assets	4,127	498	713	519	31	5,888
Unallocated assets						<u>7,080</u>
Total assets						<u>12,968</u>
Segment liabilities	(547)	—	(109)	(2)	(27)	(685)
Unallocated liabilities						<u>(59)</u>
Total liabilities						<u>(744)</u>
Capital expenditure	502	8	76	760	—	1,346
Depreciation	<u>2,302</u>	<u>—</u>	<u>344</u>	<u>321</u>	<u>1</u>	<u>2,968</u>

\* Turnover by geographical location is determined on the basis of the destination of delivery of merchandise or the location of rendering of services.

## 5 Finance cost

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Interest expense on convertible notes	<u>29</u>	<u>—</u>

## 6 Loss before taxation

Loss from operations was determined after charging the following items:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
After charging- Staff costs (including directors' emoluments and staff redundancy cost), including amount classified as research and development expenses	5,374	13,009
Operating lease rentals of premises and facilities	972	2,781
Write-off of and provision for bad and doubtful debts	130	82
Provision for slow-moving and obsolete inventories	25	—
Depreciation of fixed assets	2,487	2,968
Loss on disposal of fixed assets	117	1,045
Net exchange loss	4	1,144
Auditors' remuneration	<u>399</u>	<u>80</u>

## 7 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 were exempted companies with limited liability under the Companies Law of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong during the year (2002: Nil). No provision for overseas (Singapore, Taiwan, the United States of America and Mainland China) income taxes has been made as the Group operating in these countries were operating at a loss during the year (2002: Nil).



The taxation effect of the deferred tax assets, which has not been recognised in the accounts, is analysed as follows:

	<b>2003</b> <i>HK\$'000</i>	<b>2002</b> <i>HK\$'000</i>
Accelerated depreciation allowance of fixed assets	(191)	(538)
Tax losses	<u>5,258</u>	<u>4,450</u>
	<u><u>5,067</u></u>	<u><u>3,912</u></u>

## 8 Loss attributable to shareholders

The consolidated loss during the year included a loss of approximately HK\$8,717,000 (2002: HK\$49,051,000) dealt with in the accounts of the Company.

## 9 Dividends

No dividend was paid or declared by the Company or any of its subsidiaries during the year (2002: Nil).

## 10 Loss per share

The calculation of basic loss per share is based on the loss for the year of approximately HK\$8,750,000 (2002: HK\$27,113,000), and on the weighted average number of approximately 327,581,620 (2002: 407,683,000 shares) shares in issue during the year.

The exercise of outstanding share options would have an anti dilutive effect on the loss per share for years ended 31 March 2003 and 2002.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Company is pleased to announce the first annual results of the Group since the successful listing of the Company's shares on the GEM of the Stock Exchange on 9 May 2003 (the "Listing"). Net proceeds of approximately HK\$26 million were received with the placing of 110,000,000 shares at the placing price of HK\$0.3 per Share.

## Business Review

### *Financial Performance*

For the year ended 31 March 2003, the Group recorded a turnover of approximately HK\$4,325,000, representing an increase of 2.7 times when compared to approximately HK\$1,170,000 in the previous year. Loss attributable to shareholders fell to approximately HK\$8,750,000 (2002: HK\$27,113,000). This improvement was due to the significant contribution of our existing services as well as the expansion in the Group's business to the

development of customised software and the provision of mobile messaging services that widened our source of revenue. In addition to the Group's foothold in Hong Kong and Macau, our business in China, Singapore and Taiwan markets also brought in income during the year under review.

### *Segmental Information*

For the year ended 31 March 2003, service fees from the provision of mobile data solutions and related services, and fees for the development of customised software contributed to the Group's major income, accounting for 38.3% and 43.5% of turnover respectively. The remaining 18.2% come from the sales of MobileSurf-installed pocket personal computers and computer accessories, subscription fees from provision of MobileSurf service and fees for provision of mobile messaging services. Among our different markets in the region, Hong Kong and Macau were the main revenue contributors, accounting for 94% of the Group's turnover, whereas China, Singapore and Taiwan brought in 5.1%, 0.6% and 0.3% respectively.

### *New Products and Services*

To expand its service range, the Group expanded its business activities to the development of customised software and the provision of mobile messaging services during the year under review. The Group is continuing to develop new products and services to strengthen its competitive position.

### *Research and Development*

During the review period, we relentlessly sought to enhance and develop the applications and solutions for MobileSurf with additional features. We also launched a self-developed connectivity system named GloDAN in April 2002. GloDAN allows businesses to directly reach their target customers and deliver mobile data including short message service (SMS) alerts, multimedia messages services (MMS), emails and intranet (virtual private network) (VPN) for use in businesses such as logistics, banking, entertainment and advertising. It also allows users to send ring-tones, picture messages and screen savers via their wireless terminals.

In addition, research and development activities during the review period including the development of mobile VPN security solutions, mobile workforce solution for enterprise and the MMS gateway, as well as the launch of the first generation of messaging center and micro-payment, SMS and MMS games, provided yet another significant leap forward for our business apart from broadening our revenue base and enhancing our growth momentum.

Capitalizing on our well-developed technologies and extensive business connections, we successfully entered into additional agreements with various mobile telecommunication operators, hardware manufacturers, IT-related companies and enterprises in the region during the year under review. To list a few, we signed a SMS service agreement with SUNDAY in May 2002 and a memorandum of understanding with FarEasTone Telecommunications Co., Ltd. in Taiwan in July 2002. We also successfully built a SMS payment gateway for various enterprises including financial institutions, banks and on-line merchants. These additional agreements not only demonstrate the recognition and confidence in our services and technologies, they also widen our customer base in the market.

Aiming to enhance our corporate and product branding, we launched a series of promotional campaigns along with our business partners. For instance, we conducted a joint seminar with Compaq Computer Limited and participated in the “HP mobility platform independent software vendor alliance members” signing ceremony and the International Telecommunications Union Expo to demonstrate our state-of-the-art mobile solutions in September and December 2002 respectively.

## **Prospects**

Looking ahead, with the funds raised from the Listing, we will continue to expand our research and development capabilities to cater for increasingly sophisticated demand and to respond promptly to changing technologies. Additionally, we will strategically expand our customer base and distribution network through expansion of our sales and marketing network, establishment of sales and technical support offices in the PRC, formation of strategic alliances and joint ventures with and investment in telecommunication-related companies. In the long term, our aim is to become one of the major mobile data solutions providers in the Asia Pacific region.

Regarding research and development, we will focus on upgrading MobileSurf ensuring greater capabilities and releasing an enhanced version of GloDAN to support greater coverage. We will also engage in enhancing the first generation secure wireless communication channel, wireless multimedia content manager and remote monitoring and controlling systems. Resources will also be dedicated to the development of the first generation mobile office

that will enable users to handle office tasks remotely in a 2.5G or 3G environment. To prepare for these developments, we are also upgrading our research and development facilities by acquiring additional workstations and servers.

To strengthen our brandname, we are adopting a proactive marketing strategy to enhance public awareness of our products and services by participating in seminars, exhibitions and tradeshow. To raise our overall value and competitiveness, we will continue to form strategic alliances with mobile telecommunication operators, hardware manufacturers, IT-related companies and enterprises to pursue business opportunities and conduct joint promotional and sales activities.

In view of the spectacular GDP growth in the PRC and the continuously rising living standards of its people after its entry into the WTO international economic arena, we are planning to form strategic alliances and joint ventures with and invest in telecommunication-related companies in the PRC, to benefit from a wider customer base and business connections to further expand our share in the huge and profitable PRC market. To prepare for these developments, we are also planning to set up sales and technical support offices initially in Guangdong, Shanghai and Beijing. In view of the positive signs of an economic rebound and the retreat of SARS in the Asia Pacific region, we will be doing our utmost to strengthen our foothold in the industry.

### **Liquidity and Financial Resources**

The Group generally financed its operations and investing activities with internally generated cashflows and investments from its existing shareholders. During the year under review, convertible notes of HK\$4,000,000 bearing interest of 1% per annum were issued.

As at 31 March 2003, the Group had net current assets of approximately HK\$2,447,000 (2002: HK\$7,982,000), of which approximately HK\$3,620,000 (2002: approximately HK\$8,301,000) were bank and cash balances. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

### **Gearing Ratio**

The gearing ratio of the Group, based on total liabilities to shareholders' fund, was 60.8 as at 31 March 2003 (2002: 0.06). The increase was mainly due to the issuance of convertible notes and the accrual of listing expenses.

## **Foreign Exchange Exposure**

The income and expenditure of the Group were denominated in Hong Kong dollars, Singapore dollars, New Taiwan dollars and RMB. In view of the stability of the exchange rate among these currencies, the Directors do not consider that the Group was significantly exposed to foreign exchange risk. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

## **Capital Structure**

As at 31 March 2003, the Group's net assets were financed by internal resources through share capital and reserves. Total equity attributable to shareholders was approximately HK\$110,000 as at 31 March 2003 (2002: HK\$12,224,000).

## **Material Acquisitions/Disposal and Significant Investments**

On 28 March 2003, the Group disposed of its entire interest in MTel Network (Holdings) Limited whose principal asset is its shareholding in 八達網移動互聯科技(深圳)有限公司 (MTel Mobile Internetwork Technology (Shenzhen) Co. Ltd.), a wholly foreign-owned enterprise which provided mobile data solutions and related services in the PRC prior to the disposal, at net asset value of MTel Network (Holdings) Limited.

Save as disclosed above, the Group had no material acquisitions and disposal of subsidiaries and affiliated companies during the year under review.

The Group had no significant investments during the year under review.

## **Future plans for material investments and expected source of funding**

Details for the Group's future plans for material investments or capital assets and their expected source of funding have been stated in the Company's prospectus dated 30 April 2003 (the "Prospectus") under the section headed "Business objectives". Other than those disclosed therein, the Group did not have any plan for material investments of capital assets.

## **Charges on the Group's assets**

As at 31 March 2003, the Group did not have any charges on the Group's assets.

## **Contingent Liabilities**

As at 31 March 2003, the Group did not have any contingent liabilities.

## **Employee Information**

As at 31 March 2003, the Group had a total of 20 employees in Hong Kong, Taiwan and Singapore. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. The total staff costs, including directors' emoluments, amounted to approximately HK\$5,374,000 for the year under review. Share options and bonuses are also available to employees of the Group at the discretion of the Directors and depending upon the financial performance of the Group.

## **INTENDED USE OF NET PROCEEDS FROM LISTING**

Subsequent to the year end date, the shares of the Group were listed on the GEM of the Stock Exchange on 9 May 2003. The future business plans of the Group are set out in the Prospectus. The net proceeds from the Listing after deduction of all related expenses were approximately HK\$26 million.

The Group intends to apply such net proceeds as follows:

- To enhance and develop mobile data products and solutions
- To upgrade R&D facilities
- To form strategic alliances and joint ventures with and invest in telecommunication-related companies
- To establish sales and technical support offices in the PRC
- To expand sales and marketing network and to create additional general working capital

## **FINAL DIVIDEND**

The Directors do not recommend the payment of a dividend for the year ended 31 March 2003.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities since the date of the Listing and up to the date of this announcement.

## **AUDIT COMMITTEE**

As required by Rules 5.23 to 5.25 of the GEM Listing Rules, the Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's principal duties are to review and supervise the Group's financial reporting process and internal control systems.

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied with the Board Practices and Procedures as set out in Rule 5.28 to 5.39 of the GEM Listing Rules since the date of the Listing.

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

Hong Kong, 23 June 2003

*This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting.*

*\* for identification purpose only*