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 2004

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.

This announcement, for which the directors (the "Directors") of Mobile Telecom Network (Holdings) Limited (the "Company") collectively and individually accept full responsibility, including particulars given in compliance with the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules") of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirmed that, to the best of their knowledge and belief, (i) the information contained in the announcement are accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement herein misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration on the basis and assumptions of reasonableness and fairness.

* *for identification purposes only*

HIGHLIGHTS

- Revenue of the Group amounted to approximately HK$11,534,000 for the year ended 31 March 2004, representing an increase of approximately 167% as compared to approximately HK$4,325,000 for the corresponding period in the previous financial year.
- Revenue generated from the provision of mobile data solutions grew by approximately 550% over the same period last year.
- Basic loss per share of the Group was narrowed to HK cents 1.99 for the year ended 31 March 2004, representing an decrease of approximately 25.5% as compared to approximately HK cents 2.67 for the corresponding period in the previous financial year.
- The Directors do not recommend the payment of a final dividend.

FINANCIAL RESULTS

The board of Directors (the "Board") is delighted to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2004, together with the comparative audited figures for the corresponding year ended 31 March 2003 as follows:

	Note	**2004** *HK$'000*	2003 *HK$'000*
Turnover	*2*	**11,534**	4,325
Other revenue	*2*	**193**	15
Telecom operators costs		**(6,701)**	—
Materials and equipment		**(536)**	(1,211)
Employment costs		**(5,452)**	(3,053)
Research and development expenses		**(1,469)**	(2,321)
Depreciation of fixed assets		**(1,727)**	(2,487)
Other operating expenses		**(4,268)**	(3,989)
Loss from operations	*3*	**(8,426)**	(8,721)
Finance costs		**(51)**	(29)
Loss before taxation		**(8,477)**	(8,750)
Taxation	*4*	**—**	—
Loss after taxation		**(8,477)**	(8,750)
Minority interests		**(67)**	—
Loss attributable to shareholders		**(8,544)**	(8,750)
Loss per share — basic (HK cents)	*6*	**1.99**	2.67

1. GROUP REORGANISATION AND BASIS OF PREPARATION

(a) 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.

(b) Pursuant to a group reorganisation (the "Reorganisation") in preparation for the listing of the Company's shares on GEM of the Stock Exchange, the Company became the holding company of the companies comprising the Group. Details of the Reorganisation are set out in Appendix IV of the Company's prospectus dated 30 April 2003 (the "Prospectus").

(c) The Reorganisation is accounted for using merger accounting as stipulated in the Hong Kong Statement of Standard Accounting Practice ("SSAP") 27 "Accounting for group reconstruction" issued by the Hong Kong Society of Accountants ("HKSA"). The consolidated accounts of the Group for the year ended 31 March 2004, including the comparative figures, are prepared as if the Company had been the holding company of the Group from the beginning of the years presented.

(d) The difference between the nominal value of the shares of Mobile Telecom (BVI) Limited acquired pursuant to the Reorganisation and the nominal value of the Company's shares issued in exchange therefore is dealt with in the capital reserve on consolidation.

(e) The accounts have been prepared under the historical cost convention in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKSA.

(f) In the current year, the Group adopted SSAP12 (revised) "Income Taxes" issued by the HKSA which is effective from accounting periods commencing on or after 1 January 2003. The adoption of the above SSAP has no material impact on the accounts of the Group.

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the development, provision and sale of mobile Internet communication telecommunications and related services in Hong Kong and other Asian countries. Revenues recognised during the year are as follows:

	2004	2003
	HK$'000	*HK$'000*
Turnover		
Sales of MobileSurf-installed pocket personal computers and computer accessories	**468**	498
Subscription fees from provision of MobileSurf service	**39**	104
Service fees from provision of mobile data solutions and related services	**10,736**	1,655
Fees for development of customised software	**220**	1,881
Fees for provision of mobile messaging service	**71**	187
	11,534	4,325
Other revenue		
Interest income	**74**	15
Negative goodwill released	**119**	—
	193	15
Total revenue	**11,727**	4,340

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

An analysis of the Group's turnover and results for the year by geographical locations is as follows:

	Hong Kong /Macau 2004 *HK$'000*	The People's Republic of China (the "PRC") 2004 *HK$'000*	Australia 2004 *HK$'000*	Malaysia 2004 *HK$'000*	Singapore 2004 *HK$'000*	Taiwan 2004 *HK$'000*	Others** 2004 *HK$'000*	Total 2004 *HK$'000*
Turnover *	**4,616**	**—**	**4,114**	**1,107**	**696**	**839**	**162**	**11,534**
Segment results	**(6,642)**	**—**	**1,643**	**295**	**(193)**	**(385)**	**12**	**(5,270)**
Unallocated costs								**(3,156)**
Loss from operations								**(8,426)**
Finance costs								**(51)**
Loss before taxation								**(8,477)**
Taxation								**—**
Loss after taxation								**(8,477)**
Minority interests								**(67)**
Loss attributable to shareholders								**(8,544)**
Segment assets	**29,530**	**—**	**73**	**305**	**331**	**56**	**11**	**30,306**
Unallocated assets								**246**
Total assets								**30,552**
Segment liabilities	**(4,190)**	**—**	**—**	**—**	**(469)**	**(19)**	**(27)**	**(4,705)**
Unallocated liabilities								**(5,291)**
Total liabilities								**(9,996)**
Capital expenditure	**413**	**—**	**—**	**—**	**—**	**—**	**—**	**413**
Depreciation	**1,379**	**—**	**—**	**—**	**112**	**228**	**8**	**1,727**

	Hong Kong /Macau 2003 *HK$'000*	The PRC 2003 *HK$'000*	Singapore 2003 *HK$'000*	Taiwan 2003 *HK$'000*	Others** 2003 *HK$'000*	Total 2003 *HK$'000*
Turnover*	4,067	222	25	11	—	4,325
Segment results	(5,884)	102	(1,088)	(915)	(45)	(7,830)
Unallocated costs						(891)
Loss from operations						(8,721)
Finance costs						(29)
Loss before taxation						(8,750)
Taxation						—
Loss for the year						(8,750)
Segment assets	2,413	—	133	305	21	2,872
Unallocated assets						3,929
Total assets						6,801
Segment liabilities	(955)	—	(107)	(26)	(27)	(1,115)
Unallocated liabilities						(5,576)
Total liabilities						(6,691)
Capital expenditure	22	—	—	—	—	22
Depreciation	1,950	—	292	235	10	2,487

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

** Others represent the turnover generated from the United States of America (the "USA") and Thailand.

3. LOSS FROM OPERATIONS

Loss from operations is stated after charging/(crediting) the following:

	2004	2003
	HK$'000	*HK$'000*
Auditors' remuneration	**210**	399
Depreciation:—		
Owned assets	**1,727**	2,483
Leased assets	**—**	4
Loss on disposal of fixed assets	**—**	117
Net exchange (gains)/losses	**(571)**	4
Operating lease rentals of premises and facilities	**1,135**	972
Provision for bad and doubtful debts	**587**	130
Staff costs (including directors' emoluments and staff redundancy cost), including amount classified as research and development expenses	**7,071**	5,374

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 the 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 the British Virgin Islands income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong during the year (2003: Nil). No provision for overseas (the PRC, Singapore, Taiwan and the USA) income taxes has been made as the Group operating in these countries were operating at a loss during the year (2003: Nil).

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Group as follows:

	2004	2003
	HK$'000	*HK$'000*
Loss before taxation	**8,477**	8,750
Calculated at a taxation rate of 17.5% (2003: 16%)	**(1,483)**	(1,400)
Tax effect of income not subject to taxation	**(7)**	(10)
Tax effect of temporary differences for the year unrecognised	**173**	55
Tax effect of tax losses for the year unrecognised	**576**	621
Effect of different tax rates of subsidiaries operating in other jurisdictions	**741**	734
Taxation charges	**—**	—

5. DIVIDENDS

No dividend was paid or declared by the Company or any of its subsidiaries for the year (2003: Nil).

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders for the year of approximately HK$8,544,000 (2003: HK$8,750,000), and on the weighted average number of approximately 428,547,945 shares (2003: 327,581,620 shares) in issue during the year.

No diluted loss per share for the years ended 31 March 2004 and 2003 were presented as the outstanding share options were anti-dilutive.

7. RESERVES

	Group						
	Share premium *HK$'000*	**Capital reserve** *HK$'000* *Note (i)*	**Capital redemption reserve** *HK$'000*	**Shares issue expenses** *HK$'000*	**Cumulative translation adjustments** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 April 2002	38,587	16,375	2,943	—	631	(51,622)	6,914
Translation adjustments	—	—	—	—	33	—	33
Shares issue expenses	—	—	—	(3,410)	—	—	(3,410)
Loss for the year	—	—	—	—	—	(8,750)	(8,750)
At 31 March 2003	38,587	16,375	2,943	(3,410)	664	(60,372)	(5,213)
At 1 April 2003	**38,587**	**16,375**	**2,943**	**(3,410)**	**664**	**(60,372)**	**(5,213)**
Translation adjustments	**—**	**—**	**—**	**—**	**(133)**	**—**	**(133)**
Shares issued pursuant to capitalisation issue	**(20,351)**	**—**	**—**	**—**	**—**	**—**	**(20,351)**
Shares issued pursuant to the placing of new shares	**24,420**	**—**	**—**	**—**	**—**	**—**	**24,420**
Shares issue expenses	**(7,353)**	**—**	**—**	**3,410**	**—**	**—**	**(3,943)**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(8,544)**	**(8,544)**
At 31 March 2004	**35,303**	**16,375**	**2,943**	**—**	**531**	**(68,916)**	**(13,764)**

	Company					
	Share premium	**Contributed surplus**	**Capital redemption reserve**	**Shares issue expenses**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		Note (ii)				
At 1 April 2002	38,587	16,375	2,943	—	(50,991)	6,914
Shares issue expenses	—	—	—	(3,410)	—	(3,410)
Loss for the year	—	—	—	—	(8,717)	(8,717)
At 31 March 2003	38,587	16,375	2,943	(3,410)	(59,708)	(5,213)
At 1 April 2003	**38,587**	**16,375**	**2,943**	**(3,410)**	**(59,708)**	**(5,213)**
Shares issued pursuant to capitalisation issue	**(20,351)**	**—**	**—**	**—**	**—**	**(20,351)**
Shares issued pursuant to the placing of new shares	**24,420**	**—**	**—**	**—**	**—**	**24,420**
Shares issue expenses	**(7,353)**	**—**	**—**	**3,410**	**—**	**(3,943)**
Loss for the year	**—**	**—**	**—**	**—**	**(7,533)**	**(7,533)**
At 31 March 2004	**35,303**	**16,375**	**2,943**	**—**	**(67,241)**	**(12,620)**

Notes:

(i) Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of the subsidiary acquired through exchange of shares.

(ii) Contributed surplus represents the difference between the net asset value of a subsidiary acquired and the nominal value of the ordinary shares issued by the Company in connection with the acquisition.

(iii) Under the Companies Law of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium if (a) it is, or would after the payment be, unable to pay its liabilities as they become due, or (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded a remarkable growth in turnover during the financial year ended 31 March 2004. The Group achieved a turnover amounting to HK$11,534,000 (2003: HK$4,325,000), representing a surge of approximately 167% over the turnover of the corresponding period in 2003. Despite the inclusion of charges by various professional parties since the listing of the Company's shares on GEM of the Stock Exchange in 2003, loss per share narrowed to HK cents 1.99 representing a significant reduction of approximately 25.5% as compared to that of the last year.

During the financial year ended 31 March 2004, service fees from provision of mobile data solutions and related services continued to be the major contributor to the Group's income, accounting for 93.1% of the Group's consolidated turnover and recording a progressive growth of HK$9,081,000 or a growth rate of approximately 550% as compared to that of the previous financial year.

Business Review

The mobile entertainment industry continues to experience steady growth in the Asia Pacific region during the financial year 2003/04. The value of the data driven business, in which the Group operates, is seen as one of the key value drivers of the mobile business. Additionally, the launch of 3rd Generation ("3G") telecom services in Hong Kong sends a strong signal to the world that Hong Kong remains the mobile industry leader in the Asia Pacific region.

Demand for rich and diverse content is growing as data-enabled handsets become readily available and services quality improves. In 2003, only 7% of Hong Kong mobile users used their mobiles for data transaction, but this figure is expected to reach about 15% by the end of 2004. Multimedia message service ("MMS") traffic is also increasing in the region showing that the learning curve for usage is very steep.

The Group continues to operate in more developed markets in the region with Australia, Hong Kong, Singapore, Malaysia and Taiwan being its key focus markets. The Group persists in the development of services such as Java based sporting and information channels, localised music and picture content and gaming services, which cater for these markets and strengthen its portfolio enabling it to increase market share. Scalability of the content is the key to strong growth and performance in its operation. The Group operates now in 11 markets across the region and is able to diversify the market/country risk by doing so.

During the year, the mobile content business was in the middle of its transition from traditional, low level services to rich content services, which will create higher entry barriers for "new players" to enter the mobile content business where the Group is already well established. The Group is able to help these companies enter the business by providing them with the opportunity to join its comprehensive distribution network. During the year, the Group was able to source new content partners from new markets such as Ireland, Turkey and Germany. The Group assists these companies to enter the Asian markets through its wide distribution network. It is vital for the Group to aggressively expand its content provider pool in order to maintain its competitive edge in content offering.

Prospect

2004 looks promising for the entire business based on positive developments in Europe and the growing and enriched content, which will create even higher natural demand for the services provided and produced by the Group. 3G services were launched in Hong Kong in January 2004 and it is also expected to be introduced soon in Singapore, Australia and Taiwan. The Group is ideally positioned to benefit from this development, as the Group is currently one of the largest 3G content providers to operators in Hong Kong.

At present, the Group covers a total of nearly 30 telecom operators in 11 markets in the Asia Pacific region. This number is expected to increase steadily in regions such as Thailand, the Philippines and Indonesia. The scale in terms of both quantity of content and operators remains the Group's strongest differentiation point.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operation and investment activities with internally generated cash flows and the balance of the net proceeds from the listing of the Company's shares on GEM on 9 May 2003.

As at 31 March 2004, the Group had net current assets of approximately HK$25,451,000 (2003: HK$2,447,000), of which approximately HK$27,002,000 (2003: HK$3,620,000) were bank balances and cash. 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' equity, was 0.47 as at 31 March 2004 (2003: 60.83). The decrease was due to the enlargement of the shareholders' equity since the listing of the Company's shares on GEM of the Stock Exchange on 9 May 2003.

FOREIGN EXCHANGE EXPOSURE

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

CAPITAL STRUCTURE

The shares of the Company were listed on GEM of the Stock Exchange on 9 May 2003. There has been no change in the capital structure of the Company since the Company's listing on that date. Up to the year ended 31 March 2004, the Group's net assets were financed by internal resources through share capital and reserves. Total equity attributable to shareholders as at 31 March 2004 was approximately HK$20,556,000 (2003: HK$110,000).

MATERIAL ACQUISITION AND DISPOSALS/FUTURE PLANS FOR MATERIAL INVESTMENTS

Apart from the acquisition of Mobilemode Limited ("Mobilemode") during the year, the Group has no material acquisitions and disposals during the year.

The Group had no significant investments during the year.

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2004, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at 31 March 2004, the Group did not have any contingent liabilities.

EMPLOYEE INFORMATION

As at 31 March 2004, the Group had a total of 26 employees in Hong Kong, Taiwan and 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$7,071,000 for the year ended 31 March 2004 (2003: HK$5,374,000). 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.

COMPARISON OF BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following is a summary of the actual progress of the Group compared with the business objectives set out in the prospectus of the Company dated 30 April 2003 (the "Prospectus") for the period from 9 May 2003 (the "Listing Date") to 31 March 2004.

Business Objectives as set out in the Prospectus from the Listing Date to 31 March 2004		Actual business progress from the Listing Date to 31 March 2004
1. Enhancement and development of mobile data products and solutions		
MobileSurf	— to further enhance MobileSurf with greater capacities by adding new multimedia components	The Group extended its MobileSurf services in the forms of MMS, XHTML and JAVA Applications on various mobile handsets
GloDAN	— release an enhanced version of GloDAN to support greater coverage	The Group built and tested the WAP Push mechanism
Secure wireless communication channel	— upgrade the 1st generation prototype of wireless communication channel	The Group has been continuously developing its 1st generation prototype of wireless communication channel
Wireless multimedia content manager	— enhance the 1st generation of wireless multimedia content manager	The Group has been continuously developing its 1st generation of wireless multimedia content manager, a system which is used to deploy multimedia contents through wireless channel
Remote monitoring and controlling system	— enhance the 1st generation of remote monitoring and controlling system	The Group deployed short message service ("SMS") and E-mail alert features in the monitoring and controlling system
Mobile office	— develop the 1st generation of mobile office, a mobile application, enables users to handle office tasks remotely in a 2.5G/3G environment	The Group has marketed with enterprise customers of mobile office and other enterprise applications

2. Upgrading R&D facilities	— acquire 2 additional workstations and servers for R&D purpose	Due to the acquisition of Mobilemode which would provide additional workstations and servers for our research and development works, no other workstations and servers were acquired
3. Forming strategic alliances and joint ventures with and investing in telecommunication-related companies	— form joint venture with or invest in telecommunication-related companies in Hunan, Henan and Jiangsu, the PRC	Due to the outbreak of SARS, the Group adopted a cautious approach and did not form any joint venture with or invest in telecommunication-related companies in Hunan, Henan and Jiangsu, the PRC The Group acquired Mobilemode (a company incorporated in Hong Kong), a mobile entertainment and information content aggregator serving the needs of mobile phone operators and portals in the Asia Pacific and the PRC The Group is in negotiations with several mobile-data companies but no investment has yet been made
	— continue to form strategic alliances with mobile telecommunication operators, hardware manufacturers, IT-related companies including software/applications developers and enterprises to identify and pursue business opportunities, launch mobile data services and solutions and conduct joint promotional and sales activities	The Group has generated substantial revenue from recurring business with many leading telecommunication operators over the year. For example, the Group co-operated with Hutchison Telecom to successfully launch the Soccer Betting JAVA Application
4. Establishment of sales and technical support offices in the PRC	— established office in Guangdong province, the PRC	During the year, the Group consistently adopted a cautious approach and did not set up an office in Guangdong province, the PRC but has appointed 1 consultant in the PRC who is stationed at Guangdong to understand the market situations

	— start planning on setting up office in Shanghai and Beijing, the PRC	The Management has visited Shanghai and Beijing for initial investigations. The Group has appointed a consultant in Beijing and is also in discussions with companies in Shandong
	— start feasibility study on setting up sales and technical support offices in Hunan and Henan, the PRC	Since the Group are still under the investigation progress for setting up office in Shanghai and Beijing, the feasibility study on setting up sales and technical support offices in Hunan and Henan will be postponed
5. Expansion of sales and marketing network	— continue to jointly participate in various seminars and roadshows with business partners	The Group actively participated in various seminars and roadshows with business partners
	— continue to participate in/ coordinate various seminars, exhibitions and tradeshows to promote and introduce the Group's existing and new services products	The Group joined a High Level Business Delegation in Beijing organized by the Hong Kong Chamber of Commerce to meet the Vice-Premier Wu Yi and other key government officials to promote and introduce the Group's existing and new services products The Group took a booth and participated in a seminar to introduce its "Universal Content Management System" in the "IT in the 1st Conference on the Development of Chinese IT & V-Dragon CPU Trade Forum" organised by Culturecom Holdings Limited on 17 July 2003
	— continue to establish and expand sales and distribution network by partnering with telecommunication companies in different regions	The Group has expanded its business to Indonesia and has opened new sales channels in Australia, New Zealand, South Africa, Singapore, Indonesia and Taiwan. The Group's sales network now covers 11 markets across the Asia Pacific region extending to almost 30 telecommunication operators

USE OF PROCEEDS

		From the Listing Date to 31 March 2004	
	Note	**Proposed** *HK$'000*	**Actual** *HK$'000*
Enhancement and development of mobile data products and solutions	*1*	2,940	86
Upgrading R&D facilities	*2*	300	0
Forming strategic alliances and joint ventures with and investing in telecommunication-related companies	*3*	5,000	190
Establishment of sales and technical support offices in the PRC	*1*	540	38
Expansion of sales and marketing network	*1*	500	116
Working capital	*1*	1,380	0
Total		10,660	430

Notes:

1. During the period from early March to late June in 2003, a few of the countries had suffered from the outbreak of SARS. In particular, Asia Pacific region countries including Hong Kong and the PRC were seriously affected. This situation also affected the Group's performance. As the Group adopted a cautious approach, the proceeds used during the year were far less than the amount estimated in the Prospectus.

2. Due to the acquisition of Mobilemode which would provide additional workstations and servers for our research and development works, no other workstations and servers were acquired during the year.

3. The actual cost shown above represents only the acquisition costs of Mobilemode. As the Group adopted a cautious approach (please refer to note 1 above for reason), the proceeds used during the year were far less than the amount estimated in the Prospectus.

4. The remaining net proceeds of approximately HK$25.5 million will be applied according to the usage disclosed in the Prospectus.

PURCHASE, SALE OR REDEMPTION OF 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.

SPONSOR'S INTEREST

Pursuant to a sponsor agreement dated 30 April 2003 entered into between the Company and Kim Eng Capital (Hong Kong) Limited ("Kim Eng") and REXCAPITAL Hong Kong Limited ("RexCapital"), Kim Eng and RexCapital have received and will receive fees for acting as the Company's retained sponsors for the period up to 31 March 2006.

As certain license persons of Kim Eng, who were eligible to act as principal and assistant supervisors (as defined in the GEM Listing Rules), were deregistered as licensed persons of Kim Eng and certain deed of guarantee and undertaking given by Kim Eng Holdings (Hong Kong) Limited in favour of Kim Eng were cancelled and released, Kim Eng no longer complied with the eligibility criteria as set out in Chapter 6 of the GEM Listing Rules with effect from 30 March 2004 and had ceased its roles as continuing sponsor to the Company.

Universal Line Venture Limited is directly wholly owned by Mr. Chan How Chung, Victor. Mr. Chan How Chung, Victor is a director of RexCapital and also the chairman, executive director and a substantial shareholder of REXCAPITAL International Holdings Limited, a company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange. RexCapital is an indirect wholly-owned subsidiary of REXCAPITAL International Holdings Limited. On 14 April 2004, a deed of transfer was entered into between Universal Line Venture Limited and Vodatel Information Limited, an initial management shareholder of the Company, in relation to the sale of 31,902,233 Shares and the convertible notes in the principal amount of HK$1,600,000 to Vodatel Information Limited.

Mr. Chan Wai Kwong, Peter, an initial management shareholder of the Company and a Director, is an executive director of REXCAPITAL International Holdings Limited.

Save as disclosed above, as at 31 March 2004, neither RexCapital nor their directors, employees or their respective associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company or its subsidiaries, including options or rights to subscribe for such Shares, pursuant to Rules 6.36 and 18.63 of the GEM Listing Rules.

BOARD PRACTICES AND PROCEDURES

Throughout the year, the Company was in compliance with the Board Practices and Procedures as set out in rules 5.34 to 5.45 of the Listing Rules.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the HKSA.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. This announcement, including the Group's audited results for the year ended 31 March 2004, has been reviewed by the Audit Committee of which comprises two independent non-executive directors, namely Mr. Jeffery Matthew Bistrong and Mr. Charles George St. John Reed. Two meetings were held during the current financial year.

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

Hong Kong, 31 May 2004

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