# 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 2005

### 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*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, confirm that, to the best of their knowledge and belief, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) 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.*

* *for identification purposes only*

**HIGHLIGHTS**

- Turnover of the Group amounted to approximately HK$20,950,000 for the year ended 31 March 2005 representing an increase of approximately 82% as compared to approximately HK$11,534,000 for the corresponding period in the previous financial year.

- Gross profit of the Group was increased by HK$3,232,000 or 75% as compared for the corresponding period in the previous financial year.

- Basic loss per share of the Group was narrowed to HK$0.90 cent for the year ended 31 March 2005, representing an decrease of approximately 55% as compared to approximately HK$1.99 cents 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 2005, together with the comparative audited figures for the corresponding year ended 31 March 2004 as follows:

| | *Notes* | **2005** *HK$'000* | 2004 *HK$'000* |
|---|---|---|---|
| Turnover | *2* | **20,950** | 11,534 |
| Other revenue | *2* | **168** | 193 |
| Telecom operators costs | | **(13,420)** | (6,701) |
| Materials and equipment | | **(1)** | (536) |
| Employment costs | | **(5,768)** | (5,452) |
| Research and development expenses | | **(1,064)** | (1,469) |
| Depreciation of fixed assets | | **(269)** | (1,727) |
| Other operating expenses | | **(4,179)** | (4,268) |
| Loss from operations | *3* | **(3,583)** | (8,426) |
| Finance costs | | **(50)** | (51) |
| Share of loss of an associate | | **(33)** | — |
| Loss before taxation | | **(3,666)** | (8,477) |
| Taxation | *4* | **—** | — |
| Loss after taxation | | **(3,666)** | (8,477) |
| Minority interests | | **(314)** | (67) |
| Loss attributable to shareholders | | **(3,980)** | (8,544) |
| Loss per share — basic | *6* | **0.90 cent** | 1.99 cents |

## 1. BASIS OF PREPARATION

The consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (which also included Hong Kong Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

## 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:

| | **2005** | 2004 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Turnover | | |
| Sales of MobileSurf-installed pocket personal computers and computer accessories | **—** | 468 |
| Subscription fees from provision of MobileSurf services | **6** | 39 |
| Service fees from provision of mobile data solutions and related services | **20,944** | 10,736 |
| Fees for development of customised software | **—** | 220 |
| Fees for provision of mobile messaging services | **—** | 71 |
| | **20,950** | 11,534 |
| Other revenue | | |
| Interest income | **13** | 74 |
| Negative goodwill released | **—** | 119 |
| Sundry income | **155** | — |
| | **168** | 193 |
| Total revenue | **21,118** | 11,727 |

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 2005 *HK$'000* | Australia 2005 *HK$'000* | Malaysia 2005 *HK$'000* | Singapore 2005 *HK$'000* | Taiwan 2005 *HK$'000* | Others* 2005 *HK$'000* | Total 2005 *HK$'000* |
|---|---|---|---|---|---|---|---|
| Turnover | **6,857** | **9,167** | **867** | **1,622** | **1,202** | **1,235** | **20,950** |
| Segment results | **(5,332)** | **3,411** | **260** | **594** | **195** | **361** | **(511)** |
| Unallocated costs | | | | | | | **(3,072)** |
| Loss from operations | | | | | | | **(3,583)** |
| Finance costs | | | | | | | **(50)** |
| Share of loss of an associate | | | | | | | **(33)** |
| Loss before taxation | | | | | | | **(3,666)** |
| Taxation | | | | | | | **—** |
| Loss after taxation | | | | | | | **(3,666)** |
| Minority interests | | | | | | | **(314)** |
| Loss attributable to shareholders | | | | | | | **(3,980)** |
| Segment assets | **21,714** | **448** | **29** | **680** | **319** | **1** | **23,191** |
| Interests in associates | | | | | | | **5,368** |
| Unallocated assets | | | | | | | **152** |
| Total assets | | | | | | | **28,711** |
| Segment liabilities | **(5,117)** | **—** | **(4)** | **(440)** | **(22)** | **(27)** | **(5,610)** |
| Unallocated liabilities | | | | | | | **(5,745)** |
| Total liabilities | | | | | | | **(11,355)** |
| Capital expenditure | **17** | **—** | **—** | **—** | **—** | **—** | **17** |
| Depreciation | **254** | **—** | **—** | **—** | **6** | **9** | **269** |

| | Hong Kong/ Macau 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 | | | | | | | (5,048) |
| Total liabilities | | | | | | | (9,753) |
| Capital expenditure | 413 | — | — | — | — | — | 413 |
| Depreciation | 1,379 | — | — | 112 | 228 | 8 | 1,727 |

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

## 3. LOSS FROM OPERATIONS

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

| | **2005** | 2004 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Auditors' remuneration | **210** | 210 |
| Depreciation | **269** | 1,727 |
| Net exchange gains | **(178)** | (571) |
| Operating lease rentals of premises and facilities | **596** | 1,135 |
| Bad debts written off | **411** | 587 |
| Staff costs (including directors' emoluments and staff redundancy cost), including amount classified as research and development expenses | **6,832** | 7,071 |

## 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 and overseas (Australia, Malaysia, Singapore, Taiwan, the USA, Thailand and South Africa) income taxes has been made as the Group had no assessable profits during the year (2004: 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:

| | **2005** | 2004 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before taxation | **(3,666)** | (8,477) |
| Calculated at a taxation rate of 17.5% (2004: 17.5%) | **(641)** | (1,483) |
| Tax effect of income not subject to taxation | **(2)** | (7) |
| Tax effect of expenses not deductible for taxation purposes | **37** | — |
| Tax effect of temporary differences for the year unrecognised | **388** | 173 |
| Tax effect of tax losses unrecognised | **206** | 576 |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **12** | 741 |
| Taxation charge | **—** | — |

## 5. DIVIDENDS

No dividend was paid or declared by the Company or any of its subsidiaries during the year (2004: 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$3,980,000 (2004: HK$8,544,000), and on the weighted average number of approximately 441,270,039 shares (2004: 428,547,945 shares) in issue during the year.

No diluted loss per share for the years ended 31 March 2005 and 2004 were presented as the outstanding share options were anti-dilutive.

## 7. RESERVES

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Share premium** | **Capital reserve** | **Capital redemption reserve** | **Shares issue cost** | **Cumulative translation adjustments** | **Accumulated deficits** | **Total** |
| | *HK$'000* | *HK$'000* *Note (i)* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| 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 capitalization 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) |
| **At 1 April 2004** | **35,303** | **16,375** | **2,943** | **—** | **531** | **(68,916)** | **(13,764)** |
| **Translation adjustments** | **—** | **—** | **—** | **—** | **13** | **—** | **13** |
| **Loss for the year** | **—** | **—** | **—** | **—** | **—** | **(3,980)** | **(3,980)** |
| **At 31 March 2005** | **35,303** | **16,375** | **2,943** | **—** | **544** | **(72,896)** | **(17,731)** |

| | Company | | | | | |
|---|---|---|---|---|---|---|
| | **Share premium** | **Contributed surplus** | **Capital redemption reserve** | **Shares issue cost** | **Accumulated deficits** | **Total** |
| | *HK$'000* | *HK$'000* *Note (ii)* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 April 2003 | 38,587 | 16,375 | 2,943 | (3,410) | (59,708) | (5,213) |
| Shares issue pursuant to capitalization 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) |
| **At 1 April 2004** | **35,303** | **16,375** | **2,943** | **—** | **(67,241)** | **(12,620)** |
| **Loss for the year** | **—** | **—** | **—** | **—** | **(3,122)** | **(3,122)** |
| **At 31 March 2005** | **35,303** | **16,375** | **2,943** | **—** | **(70,363)** | **(15,742)** |

*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 (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) 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

For the financial year under review, the loss attributable to shareholders of the Group was recorded at approximately HK$3,980,000, representing 53% decrease when compared with corresponding period in 2004.

The Group recorded a remarkable growth in turnover during the financial year ended 31 March 2005. The Group achieved a turnover amounting to HK$20,950,000 (2004: HK$11,534,000), representing an increase of approximately 82% over the corresponding period in 2004. The improvement in turnover is mainly due to the fast growing of mobile entertainment business in Asia Pacific region. Gross margin for the year is 36% which is marginally down from the previous year's 37%. Factors behind this change are mainly due to decrease in the operating margin of the Group's 2G mobile content download business.

### Business Review

The mobile entertainment industry experienced a steady growth in the Asia Pacific region during the financial year 2004/05. The outlook of the mobile data driven business, in which the Group operates, is seen as one the key value drivers by the operators in this region. During the past fiscal year, actual 3G service rollouts have materialized in the more advanced mobile markets where the Group operates. As of today, the 3G networks that are in commercial usages include Hong Kong (Three, CSL and Smartone), Singapore (SingTel and M1) and Australia (Three). The Group continued to face challenging market conditions in the region, primarily due to increasing competitions in the 2G mobile content download segment. As a result of the competitive pressures, the Group has been increasingly focusing on development of unique services that lead to high customer satisfaction, further improving the quality of services and extending service coverage in more geographical markets.

In addition, the increasing 3G-customer base has become a main driver of our revenue growth with operators aggressively market new 3G data services. The group continues to position itself as the leading player in this area and is rolling out several 3G specific services across the region with various media related brands.

The 3G-rollout development across the region is vital for the growth of the Group, as it enables completely new ways of operating mobile entertainment business through innovative mobile media platforms. The higher bandwidth available for large data file sizes and together with the ease of use of the 3G handsets have become the key elements of providing good customer surfing experience.

The Group continues to operate in more developed mobile markets in the region with Australia, Hong Kong, Singapore, Malaysia, Macao and Taiwan being its key markets. The Group specializes in the development of services such as sporting and infotainment channels, music downloads, picture contents, video streaming, and gaming services. The content and services often cater for the local markets but the formulae remain similar. The Group further strengthens its portfolio with major media brands, enabling the brands to participate readily in mobile content and service offerings. Scalability of the content and services remains the unique advantage of the Group to push for stronger growth and higher efficiency in its operation. The Group operates now in 13 markets across the region, further maximizing its one-stop solution business model of sourcing the content, developing the services and distributing across a sizeable market despite significant variations of local operating conditions. The Group is able to fully utilize its wide networks of operator partners and diversify the services in various markets. Most of the Group's competitors operate in a single market/country and lead to higher business and regulatory risks by doing so.

During much of the past year, the mobile content business was in the middle of its transition from traditional ring-tone and text based services to multimedia services such as video streaming and multiple player online gaming. The higher technological requirements coupling with increasing difficult content licensing models create higher entry barriers for "new players" to enter the mobile multimedia business where the Group is already well established. There is a clear decline in more "traditional" mobile entertainment business areas, such as simple ring-tones and SMS based services, driving some industry players to exit their businesses. The Group is able to partner with traditional media companies to enter the business by providing them with its unique one-stop service and its comprehensive mobile operators' network. During the year, the Group was able to source new content partners from new markets such as Australia, China, Europe, Korea and New Zealand. 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**

Business for the whole mobile industry looks promising next several years based on the positive developments in 3G offerings across Europe. Feedbacks from the European operators have shown that the growing and enriched content do in fact drive customer demands. With more mobile operators starting 3G services in Asia, it is expected to create even higher natural demand for the services provided and produced by the Group. 3G services for the Group were first launched in Hong Kong and later in Australia. Projected for the second half of 2005, the Group plan to introduce 3G services also in Singapore, Malaysia, New Zealand and Taiwan. The Group is ideally positioned to benefit from this trend and has invests in scalable systems for the expansion of service provisioning. The Group is currently one of the largest 3G content providers with the longest track record in providing 3G related services to operators in Hong Kong. Through the Group's associated company in mainland China, similar opportunity occurs when 3G services projected to be rolled out by the Chinese operators perhaps as soon as 2006. The Group is currently focusing to create partnerships with several well-known branded content providers and leverage its know-how & technology to mobilize their valuable content to the masses with creative mobile services that are suitable for mobile users.

At present, the Group covers a total of nearly 40 telecom operators in 13 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 major differentiation point. The Group aspires to be the biggest distribution channel in mobile content and services for the regions' operators.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2005, the Group had net current assets of approximately HK$12,892,000 (2004: HK$25,451,000), of which approximately HK$20,437,000 (2004: HK$27,002,000) were bank balances and cash. The Group's other current assets recorded at 31 March 2005 mainly comprised approximately HK$2,810,000 in account receivable, other receivable, deposit and prepayment, showing a decrease of 12% when compared with corresponding period in 2004.

Current liabilities of the Group increased by 118% and amounted to HK$10,355,000 as at 31 March 2005, mainly as a result of an increase of HK$1,074,000 in trade payables and HK$4,000,000 convertible notes were repayable within one year.

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 0.68 as at 31 March 2005 (2004: 0.47). The increase was due to increase in trade payable and other payables by HK$1,620,000.

## 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

In August 2004, an options exercise notice was received from OUB.com Pte Ltd, an initial management shareholder of the Company, in relation to exercise 2,042,133 share options at the exercise price of HK$0.103 each.

## MATERIAL ACQUISITION AND DISPOSAL/FUTURE PLANS FOR MATERIAL INVESTMENTS

In September 2004, the Group acquired 40% interest in 廣州流之動資訊技術有限公司 formerly known as 廣州匯港軟件技術有限公司which established in the PRC for an aggregate purchase consideration of HK$5,325,600. The principal business of the associate is the provision of mobile platform solutions to local operators.

Other than the abovementioned acquisition, the Group had not made any significant acquisitions or disposals of subsidiaries and affiliated companies during the year.

## CHARGES ON THE GROUP'S ASSETS

As at 31 March 2005, the Group did not have any charges on the Group's assets.

## CONTINGENT LIABILITIES

As at 31 March 2005, the Group did not have any contingent liabilities.

## EMPLOYEE INFORMATION

As at 31 March 2005, the Group had a total of 25 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$6,832,000 for the year ended 31 March 2005 (2004: HK$7,071,000). 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 2005

| Business Objectives as set out in the Prospectus from the Listing Date to 31 March 2005 | | Actual business progress from the Listing Date to 31 March 2005 |
|---|---|---|
| **1. Enhancement and development of mobile data products and solutions** | | |
| MobileSurf | — to further enhance MobileSurf by improving performance of multimedia handling and deployment | The Group extended its MobileSurf services in the forms of video content on various mobile handsets |
| GloDAN | — continue to enhance multimedia content support of GloDAN and further improve operation performance of GloDAN | The Group built live video encoding channel for providing real time video services |
| Secure wireless communication channel | — continue to enhance the quality of wireless communication channel | The Group has continuously developed its 2nd generation prototype of wireless communication channel |

| | | | |
|---|---|---|---|
| | Wireless multimedia content manager | — continue to enhance wireless multimedia content manager by improving the performance of content deployment utilizing wider bandwidth available in future wireless communication channel | The Group had continuously developed 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 | — continue to enhance the 2nd generation of remote monitoring and controlling system | The Group deployed centralized services monitoring system e.g MTel services monitoring and e-mail/SMS alert system |
| | Mobile office | — develop the 2nd generation of the mobile office | The Group deployed additional SMS and E-mail alert features for 1st generation of the mobile office |
| | i-building | — prototype launch of the 1st generation of I-building system | The Group has continuously developed its 1st generation I-building system |
| **2.** | **Upgrading R&D facilities** | — acquire 3 additional workstations and servers for R&D purpose | The Group has acquired a high level server for research and development purpose |
| **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 Guangdong, Henan, Fujian, Zhejiang, Tianjin and Hebei, the PRC | The Group invests in a 40% minority stake telecommunication-related company in Guangdong, the PRC<br><br>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** | — expand 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 also in discussions with companies in Shandong |
| | — established office in Hunan and Henan, the PRC | Since the Group is 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 |
| | — start planning on setting up offices in Fujian and Jiangsu, the PRC | Since the Group is still under the investigation progress for setting up office in Shanghai and Beijing, the planning on setting up offices in Fujian and Jiangsu will be postponed |
| | — start feasibility study in setting up offices in other cities in China | Since the Group is still under the investigation progress for setting up office in Shanghai and Beijing, the feasibility study on setting up in other cities in China 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 participated in various seminars including 3G launch by 3HK as well as other exhibitions and events including with the HK Productivity Council on promotion of mobile technology and IT education |

| | |
|---|---|
| — partner with business alliance to organize tradeshows and seminars regionally to establish and expand sales and distribution network | The Group 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 13 markets across the South East Asian region extending to almost 40 telecommunication operators |
| — participate in international IT exhibition and tradeshow to gain the Group's worldwide recognition | The Group has participated in the Hong Kong ICT Mission to Korea, 20-23 September, 2004 organized by the Hong Kong Trade Development Council |

## USE OF PROCEEDS

| | | **From the Listing Date to 31 March 2005** | |
|---|---|---|---|
| | | **Proposed** | **Actual** |
| | *Notes* | *HK$'000* | *HK$'000* |
| Enhancement and development of mobile data products and solutions | *1* | 7,890 | 2,368 |
| Upgrading R&D facilities | *2* | 700 | 31 |
| Forming strategic alliances and joint ventures with and investing in telecommunication-related companies | *3* | 11,600 | 6,296 |
| Establishment of sales and technical support offices in the PRC | *1* | 1,290 | 123 |
| Expansion of sales and marketing network | *1* | 1,550 | 221 |
| Working capital | | 2,970 | 2,984 |
| Total | | 26,000 | 12,023 |

*Notes:*

1. The actual amounts used for development of mobile data products and solution, the establishment of offices in the PRC and the expansion of the sales and marketing network, were less than the amount estimated in the Prospectus dated 9 May 2003. As the business climate improves recently, the Group plans to spend in those areas in the near future.

2. Due to the acquisition of Mobilemode Limited which would provide additional workstations and servers for our research and development works, amounts spent on workstations and servers acquired during the year are less than the proposed amounts.

3. The actual cost shown above represents the acquisition costs of 40% equity interest in 廣州流之動資訊技術有限公司 formerly known as 廣州匯港軟件技術有限公司and 60% of Mobilemode Limited. As the Group adopted a cautious approach, the proceeds used during the year were less than the amount estimated in the Prospectus.

4. The remaining net proceeds of approximately HK$14,000,000 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

On 14 June 2004, a co-sponsor agreement has been entered into between the Company and Kingston Corporate Finance Limited ("Kingston") who has received and will receive fees for acting as the Company's retained sponsors for the period from 21 June 2004 to 31 March 2006.

On 13 August 2004, a sponsor agreement has been entered into between the Company and Kingston who will receive fees for acting the Company's sole sponsor for the period from 13 August 2004 to 31 March 2006.

Save as disclosed above, as at 31 March 2005, neither Kingston nor its directors, employees or its respective associates 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 Hong Kong Institute of Certified Public Accountants.

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. The Directors' report and the audited accounts for the year ended 31 March 2005 have been reviewed by the Audit Committee of which comprises three independent non-executive directors, namely Mr. Jeffery Matthew Bistrong, Mr. Charles George St. John Reed and Mr. Ko Tak Fai, Desmond. Four meetings were held during the current financial year.

As at the date of this announcement, the Board comprises of two executive directors namely Dr. Chan Chung (Chairman) and Mr. Chan Wai Kwong, Peter; one non-executive director namely Mr. Goh Yu Min; and three independent non-executive directors namely Mr. Jeffery Matthew Bistrong, Mr. Charles George St. John Reed and Mr. Ko Tak Fai, Desmond.

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

Hong Kong, 31 May 2005

*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.*