



Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Annual Report 2005

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

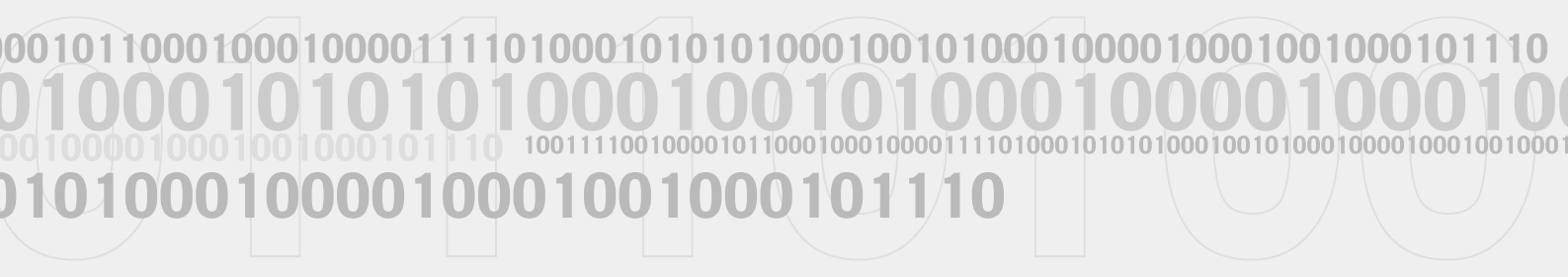
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The annual report, for which the directors of Mobile Telecom Network (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange 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 report 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 report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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Corporate Information

EXECUTIVE DIRECTORS

Dr. Chan Chung (*Chairman*)
Mr. Chan Wai Kwong, Peter

NON-EXECUTIVE DIRECTORS

Mr. Goh Yu Min

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jeffery Matthew Bistrong
Mr. Charles George St. John Reed
Mr. Ko Tak Fai, Desmond

REGISTERED OFFICE

Century Yard
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Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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26 Harbour Road
Wan Chai
Hong Kong

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Fok Chi Tak, *ACCA, CPA*

COMPLIANCE OFFICER

Mr. Chan Wai Kwong, Peter

AUDIT COMMITTEE

Mr. Charles George St. John Reed
Mr. Jeffery Matthew Bistrong
Mr. Ko Tak Fai, Desmond

AUTHORISED REPRESENTATIVES

Dr. Chan Chung
Mr. Chan Wai Kwong, Peter

SPONSOR

Kingston Corporate Finance Limited
Suite 2801, 28th Floor
One International Finance Centre
1 Harbour View Street
Central, Hong Kong

AUDITORS

Ting Ho Kwan & Chan
Certified Public Accountants
9th Floor Tung Ning Building
249-253 Des Voeux Road Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1901-5, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

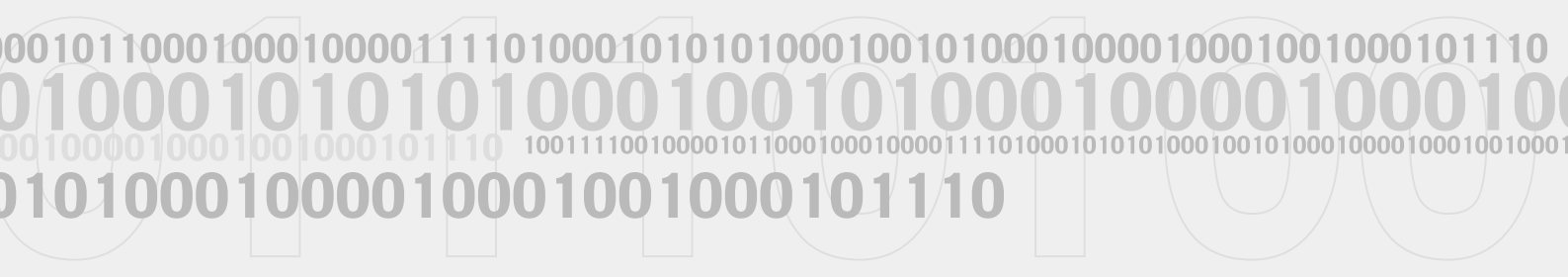
Standard Chartered Bank
23rd Floor, Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

WEBSITE

www.mtelnet.com

STOCK CODE

8266



Chairman's Statement

OPERATING RESULTS

I am pleased to report that for the financial year of 2004/05, the Group recorded a significant growth in turnover amounting to HK\$20,950,000, representing an increase of approximately 82% over the turnover of the corresponding period in 2004. As such, loss per share narrowed to HK cent 0.90 representing a significant reduction of approximately 55% as compared to that of the last year. The improvement in turnover is mainly due to the Group's fast growing mobile entertainment businesses in the Asia Pacific region.

OVERVIEW

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 services 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.

Chairman's Statement

The Group continues to operate in more developed mobile markets in the region with Australia, Hong Kong, Singapore, Malaysia, Macau 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 overall 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.

APPRECIATION

The employees are the sources of our growth and success and I am very grateful to be able to work with such a young and spirited team. I would also like to thank our shareholders, business partners and customers for their continuing support.

By order of the Board

Chan Chung

Chairman

Hong Kong, 31 May 2005

Management Discussion and Analysis

BUSINESS REVIEW

Financial Performance

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 solid 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 Group's fast growing mobile entertainment businesses in the Asia Pacific region. Gross margin for the year is 36% which is marginally down from the previous year's 37%. Factors behind this change mainly due to decrease in margin for the Group's 2G-content download businesses.

Segmental Information

Among the various markets in the Asia Pacific region, Hong Kong/Macau and Australia were the main revenue contributors to the Group, accounting for 32.7% and 43.7% (2004: Hong Kong/Macau: 40.0% and Australia: 35.7%) respectively of the Group's turnover, while Malaysia, Singapore and Taiwan generated approximately 4.1%, 7.7% and 5.7% respectively. (2004: Malaysia: 9.6%, Singapore: 6.0% and Taiwan: 7.3%).

New Products and Services

The Group aims to become Asia Pacific's premier mobile information and entertainment provider to strengthen its competitive position. The Group is seeking to maximize its service range, which targets different levels of preference from mobile subscribers.

In order to expand its service range, the Group rolled out various services in different categories. These categories included Sports, Fortune, Entertainment, Movie, Lifestyle, Cartoon, etc.

In November 2004, the Group has launched the Master Q (Q version) Channel with Hutchison 3 Hong Kong. This channel is a famous Chinese Cartoon Character for Asian market since 1962. This channel has included all animation clips, comic book, wallpaper and MMS content.

In December 2004, the Group has launched the Live Magic Channel. This channel represented one of the most attractive close up magic performances in the world. Our channel includes most wonderful card/coin magic routines with behind the scene close up demonstration and live explanation. Subscribers to this channel can perform card mystery any time and anywhere by following the live steps! This channel is available in Hutchison 3 Hong Kong and CSL Hong Kong.

Management Discussion and Analysis

In January 2005, the Group has launched the Entertainment Affairs Channel with Fareastone in Taiwan. This channel has combined most major magazines and entertainment media which allow users to access entertainment news, feature articles, interviews with celebrities, and wallpaper download galleries.

In January 2005, the Group has launched the Watsons Tennis Channel with Hutchison 3 HK. This channel has delivered live video mobile contents and comprehensive match information and prize game for "Watsons Water Champions Challenge 2005".

In January 2005, the Group has launched the Andy Lau CNY Channel in Asia Pacific market. The Group has presented this channel with an exclusive song in MTV, mp3, true tone, ring-tone, wallpapers, and MMS content. This channel was made available with most major mobile operators in Hong Kong, Taiwan, Singapore, Australia, and Thailand.

Research and Development

1. **Mobile User Behavior Analyzer**

With more than a hundred mobile service deployed in the region, the group has developed an intelligent analyzer to collect data from some of the Group's services in the region. Distributing the data in a centralized database and analyzing the usage patterns, projections on user behavior can be made via various data-mining techniques.

2. **MobileSurf Mobile Search Engine**

The group has developed a unique mobile content search tool. The system can do incremental search across a number of heterogeneous databases — text, images, music and video. By analyzing all user input to the system, it can even make search suggestion to the users.

3. **Extension of the Regional System GloDan**

As one of the most experienced video content providers in Hong Kong, the group has extended the streaming of video content into the Group's Global Data Network (GloDan). This system allows great efficiency in the distribution of video content in the Region with source once and play anywhere deployment concept of the Group's video services for any 3G operators connecting with the Group.



Management Discussion and Analysis

Sales and Marketing Activities

The business of mobile data keeps increasing over the past three years, rising from under 10% of operators' revenues in 2002 to over 20% for some operators' in 2005, with further growth expected.

The Group has generated substantial revenue from its recurring business with telecommunication operators over the past year. The Group is now deploying more value-added services with operators' sales channels in Australia, China, Hong Kong, Macau, Malaysia, New Zealand, Singapore, Thailand and Taiwan for both 2.5G and 2.75G networks. In addition, the Group has expanded its business into 3G services in Hong Kong and Australia. At the same time, the Group's large portfolio of video services in 2.5G and 2.75G are being upgraded and expanded to 3G as well. The Group's sales network now covers 13 markets across the South East Asian region with over 40 telecommunication operators. Especially in Hong Kong and Taiwan, the Group operates with all the local telecommunication players.

The Group foresees the mobile data business will increasingly be taken seriously as several operators will roll out their 3G services in the next 3 to 12 months. Operators are encouraging more value-added services but with a reliable partnership. Hence the Group's long relationship with the operators and significant experience in multimedia services becomes important. The Group plans to play a key role to support the operators by offering a one-stop efficient and cost effective solution. In the next several months, the Group will allocate more resources in the Taiwan market since two major operators will rollout their 3G services during the 2nd and 3rd quarter in 2005. The Group believes its current offerings will have significant advantages over its competitors in supporting operators in Taiwan. From the products' point of view, the Group has maintained its focus on developing completely new and user-friendly services and streamlined its distribution channel to deliver branded content. Besides building up a needed critical mass in service and content efficiencies, the increase regional coverage further expands the potential of the Group's service delivery engine that is connected to a large network of the regional operators' mobile infrastructure.

The Group co-operated with Hutchison 3 to successfully launch more than 20 multimedia services in the past year and gained significant experience on 3G multimedia services. The Group further extended applications into two main areas: (1) deploying interactive features on our Mobilesurf and GloDan platforms; and (2) providing an user-friendly interface to mobilize branded contents into innovative mobile services with multimedia capabilities. The Group is functioning as a major hub between network operators and content providers across the Asia Pacific region.

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

Management Discussion and Analysis

Meanwhile, the Group has extended its movie channel to many local telecommunication operators so that movie trailers and movie content (MMS and wallpaper) are available for download and view by their 2.5G, 2.75G and 3G mobile users. In most cases, the operators have totally outsourced their movie channels to the Group for the ease of providing overall services to their operations. In addition, the response rate of content browsing is increasing rapidly due to the increasingly high transmission bandwidth and user interests. The Group believes the business model of mobile marketing will be tried in the coming year as advertisement media may become a potential revenue driver once the mobile market is being explored with a significant subscriber response rate. The Group is now partnering with various media and advertising agencies to explore new mobile marketing schemes. The Group believes certain mobile marketing elements can increase brand exposure and further increase the usages of 3G value added services.

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 are 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 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 groups' other current assets recorded at 31 March 2005 mainly comprised approximately HK\$2,810,000 in account receivables, other receivables, deposits and prepayments, 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.

Management Discussion and Analysis

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 payables 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 and a substantial 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.

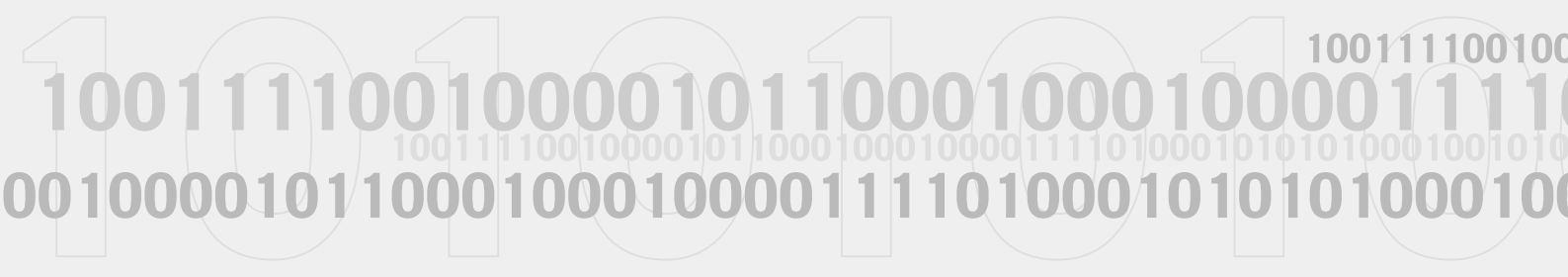
Other than the abovementioned acquisition, The Group had not made any significant acquisition or disposal of subsidiaries and affiliated companies during the year.

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.



Management Discussion and Analysis

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:

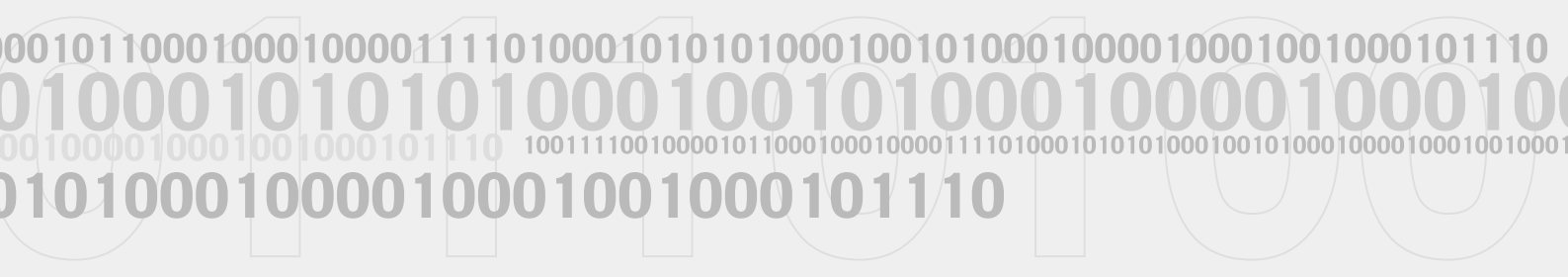
Business Objectives as set out in the Prospectus from the Listing Date to 31 March 2005

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



Management Discussion and Analysis

Wireless multimedia content manager	— enhance the 1st generation of wireless multimedia content manager	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 The Group is in negotiations with several mobile-data companies but no investment has yet been made



Management Discussion and Analysis

- 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 Shandon

- 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



Management Discussion and Analysis

	<ul style="list-style-type: none">— 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	<ul style="list-style-type: none">— continue to jointly participate in various seminars and roadshows with business partners	The Group actively participated in various seminars and roadshows with business partners
	<ul style="list-style-type: none">— 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
	<ul style="list-style-type: none">— 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
	<ul style="list-style-type: none">— 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

Management Discussion and Analysis

USE OF PROCEEDS

	<i>Notes</i>	From the Listing Date to 31 March 2005	
		Proposed <i>HK\$'000</i>	Actual <i>HK\$'000</i>
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:

- 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 increase spending in those areas in the near future.
- Due to the acquisition of Mobilemode Limited which would provide additional workstations and servers for our research and development works, amount spent on workstations and servers acquired during the year is less than the proposed amount.
- 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 far less than the amount estimated in the Prospectus.
- The remaining net proceeds of approximately HK\$14 million will be applied according to the usage disclosed in the Prospectus.

Directors and Senior Management Profiles

DIRECTORS

Executive Directors

Dr. Chan Chung, aged 48, is a founder, an executive Director and the chairman and chief executive officer of the Group. Dr. Chan is responsible for formulating the overall business plan and the corporate strategies of the Group. Further, Dr. Chan is a founder of Silicon Genesis Corporation, a high technology company in the US. Dr. Chan has been elected a fellow of the Institute of Electrical and Electronics Engineers in the US and graduated with a doctor degree in philosophy from the University of Iowa in 1981.

Mr. Chan Wai Kwong, Peter, aged 51, is an executive Director and the chief operation officer and compliance officer of the Group. Mr. Chan is responsible for overseeing and supervising the administration of the Group. Prior to joining the Group in March 2002, Mr. Chan was a chief operation officer of Chinainfohighway Hong Kong Limited, a total Internet solutions provider. Mr. Chan is also an executive director of REXCAPITAL International Holdings Limited, a listed company in Hong Kong. Mr. Chan graduated with a bachelor of arts degree in social science from the University of Western Ontario, Canada in 1978.

Non-executive Directors

Mr. Goh Yu Min, aged 39, was appointed as a non-executive Director in March 2002. Mr. Goh graduated with a bachelor degree in mathematics from the University of Waterloo, Canada in 1990 and a master degree in business administration from the Nanyang Technological University, Singapore in 1997. Mr. Goh is a director of UOB Venture Management Pte Ltd ("UOBVM"), a subsidiary of the United Overseas Bank. Mr. Goh joined UOBVM in 1997 and focuses on technology investments.

Independent non-executive Directors

Mr. Jeffery Matthew Bistrong, aged 42, was appointed as an independent non-executive Director in March 2002. Mr. Bistrong is a director of Harris Williams & Co, an investment banking company. Mr. Bistrong graduated with a master degree in business administration and a master degree in art from the University of Michigan in 1988.

Mr. Charles George St. John Reed, aged 39, was appointed as an independent non-executive Director in March 2004. Mr. Reed is a director of Ntegrator Pte Ltd., an Asia wide telecommunications systems integrator. Mr. Reed graduated with a bachelor degree in engineering mathematics from the University of Bristol.

Mr. Ko Tak Fai Desmond, aged 36, was appointed as an independent non-executive Director in September 2004. Mr. Ko is a certified public accountant with over 7 years assurance practice of an international accounting firm and is currently a director of CORE Solutions Limited.

Directors and Senior Management Profiles

SENIOR MANAGEMENT

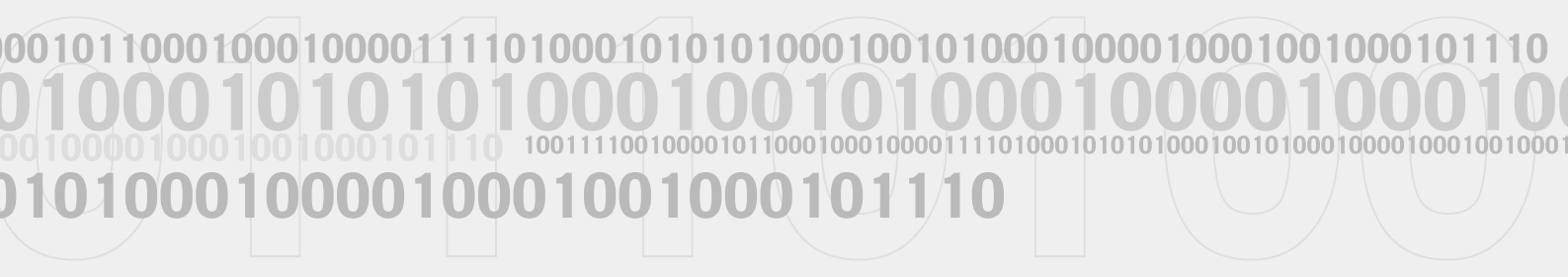
Mr. Jarno Salmivuori, aged 30, is the co-founder of Mobilemode Limited, which was acquired by MTel Limited ("MTel"), an indirectly wholly owned subsidiary of the Company, in August 2003. Mr. Salmivuori acts as the CEO of Mobilemode Limited and an Executive Vice President of MTel. He is responsible for the sales and strategy of the Group. Mr. Salmivuori has been working for Mobilemode Limited in Hong Kong since the end of 1999. Mr. Salmivuori holds a BBA in Finance Administration and a Master of Business Administration. Prior to founding Mobilemode Limited, Mr. Salmivuori held a position in the Finland office of a French drinks Group — Pernod Ricard.

Mr. Fok Chi Tak, aged 29, is the qualified accountant and company secretary of the Group. Mr. Fok joined the Group in March 2003 and was promoted to financial controller and company secretary in August 2004. He is responsible for the management of the financial and administrative affairs of the Group. Mr. Fok graduated with a bachelor degree in accounting and finance from Oxford Brookes University, UK in 2000 and he is an associate member of the Hong Kong Institution of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. Wong Ming Wai, aged 29, joined the Group in November 2002 and was later promoted to the Vice President of business development. Mr. Wong is responsible for developing new business and revenue streams for the Group. Mr. Wong has over 6 years experience in business development and marketing in mobile and I.T. industries. Mr. Wong holds a Bachelor of Mathematics degree from the University of Waterloo, Ontario, Canada.

Mr. Tsang Yue Shun, aged 28, joined the Group since its inception and was promoted as the Vice President of customer services in November 2000. Mr. Tsang is responsible for overseeing the network department and the sales and marketing networks of the Group. Mr. Tsang graduated with a bachelor degree in IT from City University of Hong Kong in 2001. Mr. Tsang joined the Group prior to his graduation.

Mr. Hui Wai Man, aged 29, joined the Group in July 2000 and was later promoted to senior system engineer. Mr. Hui is responsible for overseeing the engineering department of the Group. Mr. Hui graduated with a degree of Bachelor of Science (Honours) in Information Technology from the City University of Hong Kong in 2001. Mr. Hui joined the Group after his graduation.



Report of the Directors

The directors submit their report together with the audited accounts for the year ended 31 March 2005.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 14 to the accounts. 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.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 3 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated profit and loss account on page 34.

The directors do not recommend the payment of any dividend in respect of the year.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 20 to the accounts.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 13 to the accounts.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 19 to the accounts.

BANK BORROWINGS

The Group did not have any bank borrowings during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Report of the Directors

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the period from 25 May 2000 (date of incorporation) to 31 March 2001 and the years ended 31 March 2005, 2004, 2003 and 2002 is set out on page 68.

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.

SHARE OPTIONS RULES

The Company adopted a share option scheme (the "Share Option Scheme") and the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 27 March 2003. Details of the share options are set out below:

(i) Pre-IPO Share options scheme

Pursuant to the Pre-IPO Share Option Scheme, certain Directors and participants have been granted options to subscribe for shares. Details of the share options granted under the Pre-IPO Share Option Scheme outstanding as at 31 March 2005 are set out as below:

Name	Date of grant	Outstanding as at 1 April 2004	Number of share options			Outstanding as at 31 March 2005	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option HK\$	Exercise price per Share HK\$
			Granted during the year under review	Exercised during the year under review	Lapsed during the year under review					
Executive Directors										
Dr. Chan Chung	27 March 2003	300,000	—	—	—	300,000	0.068%	9 May 2003 — 8 May 2013	1.00	0.103
Mr. Chan Wai Kwong, Peter	27 March 2003	100,000	—	—	—	100,000	0.023%	9 May 2003 — 8 May 2013	1.00	0.103
Other Participants										
Employees in aggregate (Note)	27 March 2003	1,080,000	942,500	—	(192,500)	1,830,000	0.414%	9 May 2003 — 8 May 2013	1.00	0.103

Report of the Directors

SHARE OPTIONS RULES (Continued)

(i) Pre-IPO Share options scheme (Continued)

Name	Date of grant	Outstanding as at 1 April 2004	Number of share options			Outstanding as at 31 March 2005	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option HK\$	Exercise price per Share HK\$
			Granted during the year under review	Exercised during the year under review	Lapsed during the year under review					
Business Consultant										
Mr. Young Antony, Michael	27 March 2003	300,000	—	—	—	300,000	0.068%	9 May 2003 — 8 May 2013	1.00	0.114
		1,780,000	942,500	—	(192,500)	2,530,000	0.573%			

Note: Employees working under employment contracts that were regarded as "continuous contracts" for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).

The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme as disclosed below except for:

- (i) the subscription price per Share ranges from approximately 34.3% to 38.0% of the placing price under the Listing depending on the employment period of the grantee and the grantee's contribution to the Group;
- (ii) the total number of Shares subject to the Pre-IPO Share Option Scheme is 2,530,000 Shares equivalent to approximately 0.553% of the issued share capital of the Company as at the date of the annual report;
- (iii) save for the options which have been granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so will terminate on the day immediately prior to the day on which the bulk-print of the Prospectus took place; and
- (iv) the Pre-IPO Share Option Scheme contains no provisions on (a) granting of options to connected persons (as defined in the GEM Listing Rules); (b) the restrictions of the total number of Shares which may be issued upon exercise of all the options to be granted; and (c) the maximum entitlement of a grantee under the Pre-IPO Share Option Scheme.

Save as disclosed above, no options pursuant to the Pre-IPO Scheme have been exercised and cancelled during the year under review.

Report of the Directors

SHARE OPTIONS RULES (Continued)

(ii) Share option scheme

The Company operates the Share Option Scheme for the purpose of granting options to any full-time employees, executive or officers, directors of the Company or any of the subsidiaries and any suppliers, consultants agents and/or advisers who have contributed to the Company and/or of its subsidiaries as incentives and rewards for their contribution to the Company and/or its subsidiaries (the "Eligible Participants"). The following is a summary of the principal terms of the Share Option Scheme:

(a) *Maximum number of Shares*

Pursuant to the terms of the Share Option Scheme, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and Pre-IPO Share Scheme of the Company must not in aggregate exceed 44,000,000 Shares, representing 10% of the Shares in issue as at the date of commencement of dealings of the Shares on the GEM of the Stock Exchange. Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of such share options scheme(s) will not be counted for the purpose of the 10% limit.

(b) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes(s) of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period shall not exceed 1% of the Shares in issue for the time being.

(c) *Price of Shares*

The subscription price for a Share in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the higher of (a) the closing price of one Share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a share.

(d) *Granting options to connected persons*

Any grant of options to a Director, chief executive, management shareholder or substantial shareholder of the Company or any of their respective associates as defined in the GEM Listing Rules is required to be approved by the independent non-executive Directors (excluding an independent non-executive Director who is the grantee of the options).

Report of the Directors

SHARE OPTIONS RULES *(Continued)*

(ii) Share option scheme *(Continued)*

(d) **Granting options to connected persons** *(Continued)*

If the Board proposes to grant options to a substantial shareholder (as defined in the GEM Listing Rules) of the Company or any independent non-executive Director or their respective associates (as defined in the GEM Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue on the date of the offer; and
- (ii) having an aggregate value in excess of HK\$5 million, based on the closing price of the Shares at the date of each offer,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the GEM Listing Rules) of the Company shall abstain from voting, and/or such other requirements prescribed under the GEM Listing Rules from time to time. A connected person (as defined in the GEM Listing Rules) of the Company will be permitted to vote against the grant only if this intention to do so has been stated in the circular.

Details of the principal terms of the Share Option Scheme are set out in the Prospectus.

No share options under the Share Option Scheme were granted up to 31 March 2005.

(e) **Time of exercise of option**

The date of grant and acceptance of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration is received by the Company, such date must be on or before the 30th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted and accepted.

Report of the Directors

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Executive Directors

Dr. Chan Chung (*Chairman*)

Mr. Chan Wai Kwong, Peter

Non-Executive Directors

Mr. Goh Yu Min

Mr. Chen Man Lung (resigned on 22 November 2004)

Ms. Monica Maria Nunes (resigned on 09 June 2004)

Independent Non-Executive Directors

Mr. Jeffery Matthew Bistrong

Mr. Charles George St. John Reed

Mr. Ko Tak Fai, Desmond (appointed on 27 September 2004)

In accordance with Article 86(3) of the Company's Articles and Association, Mr. Ko Tak Fai, Desmond will hold office only until the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

In accordance with Article 87 of the Company's Articles and Association, Mr. Goh Yu Min will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

Emoluments of the directors and the five highest paid individuals

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 12a and 12b to the accounts, respectively.

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors, Dr. Chan Chung and Mr. Chan Wai Kwong, Peter has entered into a service agreement with the Company for an initial term of two years commencing from 27 March 2003 and which will continue thereafter until terminated by three months' notice in writing served by either party on the other. As at 31 March 2005, none of these service agreements had been terminated by either party.

The non-executive director, Mr. Goh Yu Min, each of the independent non-executive directors, Mr. Jeffery Matthew Bistrong, Mr. Charles George St. John Reed and Mr. Ko Tak Fai, Desmond has entered into a service agreement with the Company for an initial term of two years commencing from 27 March 2003, 27 March 2003, 18 March 2004 and 27 September 2004, respectively, which will continue thereafter for such further term (if any) unless terminated by either party by one months' prior written notice to the others. Each of the independent non-executive directors has confirmed his independence to the Company pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company considers the independent non-executive directors to be independent. As at 31 March 2005, none of these service agreements had been terminated by either party.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries of which the unexpired period is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on page 15.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY (THE "SHARES")

As at 31 March 2005, the interests and short positions of the Directors and chief executives of the Company in the Shares, debentures or underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares — interests in the Shares

Name of Directors	Capacity	Number of Shares held	Approximate percentage of issued share capital
Dr. Chan Chung	(Note)	176,169,861	39.9%
Mr. Chan Wai Kwong, Peter	Beneficial owner	4,064,036	0.9%
		180,233,897	40.8%

Note: By virtue of the SFO, Dr. Chan Chung is deemed to be interested in the 176,169,861 Shares held by Silicon Asia Limited ("Silicon"), a private company beneficially wholly owned by him.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY (THE "SHARES") (Continued)

Long position in underlying Shares of equity derivatives — interest in option of the Company

Name of Directors	Capacity	Date of grant	Number of underlying Shares	Approximate percentage of issued share capital	Option Period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
Dr. Chan Chung (Note)	Beneficial owner	27 March 2003	300,000	0.068%	9 May 2003 — 8 May 2013	1.00	0.103
Mr. Chan Wai Kwong, Peter (Note)	Beneficial owner	27 March 2003	100,000	0.023%	9 May 2003 — 8 May 2013	1.00	0.103
			400,000	0.091%			

Note: Share options to Dr. Chan Chung and Mr. Chan Wai Kwong, Peter were granted under the Pre-IPO share option scheme which was approved by the shareholders of the Company on 27 March 2003 (the "Pre-IPO Share Option Scheme"). All of the above share options are physically settled equity derivatives.

Save as disclosed above, as at the date of this report, none of the Directors and chief executives of the Company has or was deemed to have any interests or short positions in any Shares, debentures or underlying Shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at 31 March 2005, so far as is known to, or can be ascertained after reasonable enquiry by the Directors or chief executives of the Company, the persons who have, directly or indirectly, interests or had short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares — interest in the Shares

Name of shareholders	Capacity	Number of shares held	Approximate percentage of the issued share capital
Silicon	Beneficial owner	176,169,861	39.9%
Chan Chung	(Note 1)	176,169,861	39.9%
Vodatel Information Limited	Beneficial owner	63,804,466	14.4%
Vodatel Networks Holdings Limited ("Vodatel")	(Note 2)	63,804,466	14.4%
Go Capital Limited	Beneficial owner	31,902,233	7.2%
Culturecom Holdings Limited ("Culturecom")	(Note 3)	31,902,233	7.2%
OUB.com Pte Ltd	Beneficial owner	27,303,584	6.2%
United Overseas Bank Limited ("UOB")	(Note 4)	27,303,584	6.2%
Lake Haven Limited	Beneficial owner	23,881,144	5.4%
Hutchison Whampoa Limited ("Hutchison Whampoa")	(Note 5)	23,881,144	5.4%
			73.1%

Notes:

1. Silicon, a company incorporated in the British Virgin Islands, is an investment holding company. Silicon is directly wholly owned by Dr. Chan Chung. Dr. Chan Chung is deemed, by virtue of the SFO, to be interested in the same 176,169,861 Shares held by Silicon.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY *(Continued)*

Long positions in Shares — interest in the Shares *(Continued)*

Notes: *(Continued)*

5. Hutchison Whampoa is deemed, by virtue of the SFO, to be interested in the 23,881,144 Shares held by Lake Haven Limited as Lake Haven Limited is an indirect wholly-owned subsidiary of Hutchison Whampoa. Hutchison Whampoa is a company incorporated in Hong Kong whose shares are listed on the Main Board (Stock code 13). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Hutchison Whampoa or in accordance with whose directions or instructions Hutchison Whampoa or its directors are accustomed to act or who are otherwise taken to be interested in the 23,881,144 Shares in which Hutchison Whampoa is interested under the SFO will be deemed to be interested in the 23,881,144 Shares which Hutchison Whampoa will be deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Hutchison Whampoa can be found in the information published by Hutchison Whampoa from time to time and from the website of the Stock Exchange at www.hkex.com.hk.

Long positions in underlying Shares of equity derivatives — interests in convertible notes of the Company

(Note 1)

Name	Capacity	Amount of convertible notes of the Company issued	Number of underlying Shares <i>(Note 4)</i>	Approximate percentage of issued share capital
Vodatel Information Limited	Beneficial owner	HK\$3,200,000	41,025,640	9.3%
Vodatel	<i>(Note 2)</i>	HK\$3,200,000	41,025,640	9.3%
Go Capital Limited	Beneficial owner	HK\$1,800,000	23,076,923	5.2%
Culturecom	<i>(Note 3)</i>	HK\$1,800,000	23,076,923	5.2%
				14.5%

Notes:

1. These convertible notes were issued pursuant to the subscription agreement dated 28 March 2002 entered into between the Company and Universal Line Venture Limited, Vodatel Information Limited, Go Capital Limited and OUB.com Pte Ltd as amended by a supplemental agreement dated 27 January 2003. Convertible notes of the Company amounted to HK\$1,600,000 originally issued to Universal Line Venture Limited were disposed of to Vodatel Information Limited on 14 April 2004. On 9 May 2005, 15,384,615 ordinary shares were issued to Vodatel Information Limited as a result of conversion of HK\$1,200,000 convertible notes at HK\$0.078 each.



Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY *(Continued)*

Long positions in underlying Shares of equity derivatives — interests in convertible notes of the Company *(Note 1) (Continued)*

Notes: (Continued)

2. Vodatel is deemed, by virtue of the SFO, to be interested in the convertible notes held by Vodatel Information Limited as Vodatel Information Limited is a direct wholly-owned subsidiary of Vodatel Hong Kong Holdings Limited which is a direct wholly-owned subsidiary of Vodatel Holdings Limited, a direct wholly-owned subsidiary of Vodatel. Vodatel is a company incorporated in Bermuda whose shares are listed on GEM (Stock code 8033). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Vodatel or in accordance with whose directions or instructions Vodatel or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Vodatel is interested under the SFO will be deemed to be interested in the convertible notes which Vodatel is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Vodatel can be found in the information published by Vodatel from time to time and from the GEM website at www.hkgem.com. According to the latest annual report of Vodatel, as at 31 March 2004, Mr. José Manuel dos Santos and ERL were both interested or deemed to be interested in more than one-third of the then issued share capital of Vodatel.
3. Culturecom is deemed, by virtue of the SFO, to be interested in the convertible notes held by Go Capital Limited as Go Capital Limited is a direct wholly-owned subsidiary of Culturecom Investments Limited which is a direct wholly-owned subsidiary of Culturecom Holdings (BVI) Limited, a direct wholly-owned subsidiary of Culturecom. Culturecom is a company incorporated in Bermuda whose shares are listed on the Main Board (Stock code 343). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Culturecom or in accordance with whose directions or instructions Culturecom or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Culturecom is interested under the SFO will be deemed to be interested in the convertible notes which Culturecom is deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Culturecom can be found in the information published by Culturecom from time to time and from the website of the Stock Exchange at www.hkex.com.hk. According to the latest interim report of Culturecom, as at 29 December 2004, no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.
4. This assumes full conversion of the convertible notes at HK\$0.078 per Share based on the total number of 442,042,133 Shares in issue as at the date of this report. The conversion price of the convertible notes may change from time to time.

Report of the Directors

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major customers and suppliers are as follows:

Purchases

— the largest supplier	55%
— five largest suppliers combined	86%

Sales

— the largest customer	44%
— five largest customers combined	79%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

BOARD PRACTICES AND PROCEDURES

Throughout the year, the Company was in compliance with the board practices and procedures as set out in Rules 5.35 to 5.45 of the GEM 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.

Report of the Directors

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 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.

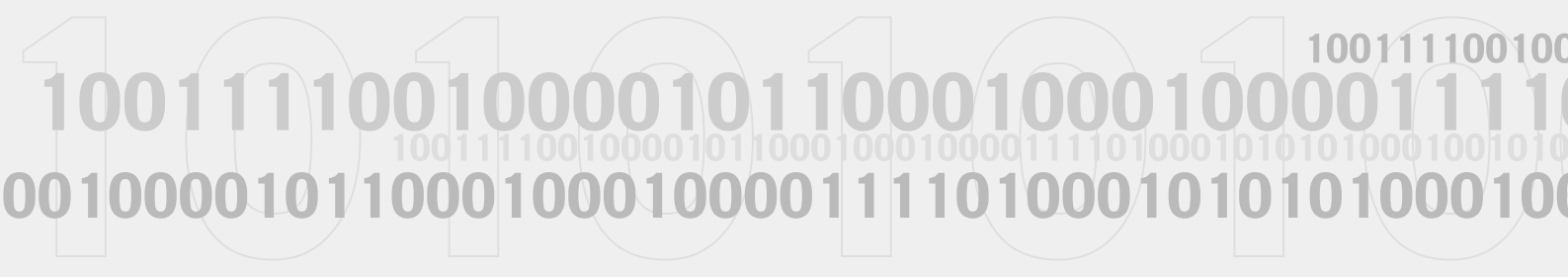
AUDITORS

Ting Ho Kwan & Chan were appointed as auditors of the Company at the Extraordinary General Meeting held on 10 October 2003 in place of PricewaterhouseCoopers. Apart from this there have been no other changes of auditors in the past three years. The accounts have been audited by Ting Ho Kwan & Chan who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chan Chung
Chairman

Hong Kong, 31 May 2005



Auditors' Report

TING HO KWAN & CHAN

Certified Public Accountants
9th Floor, Tung Ning Building
249-253 Des Voeux Road Central
Hong Kong



To The Shareholders of
MOBILE TELECOM NETWORK (HOLDINGS) LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 34 to 67 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

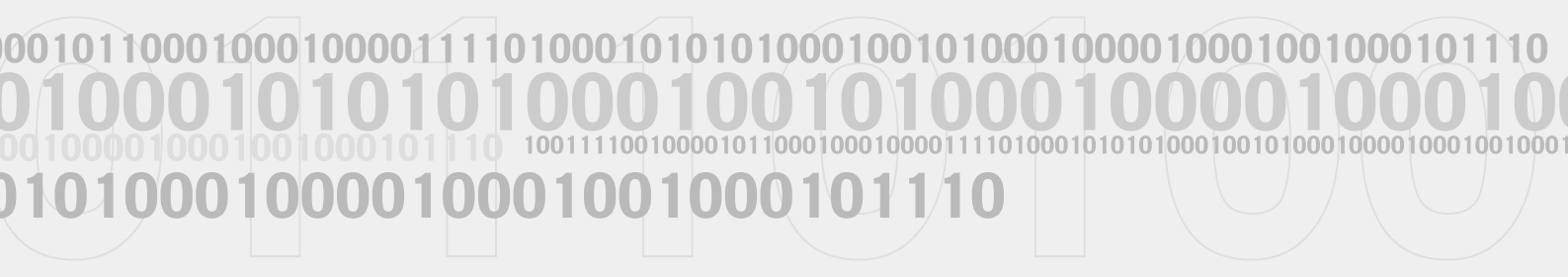
The Company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently, that judgements and estimates are made which are prudent and reasonable and that reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.



Auditors' Report

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2005 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ting Ho Kwan & Chan
Certified Public Accountants

Hong Kong, 31 May 2005

Consolidated Profit and Loss Account

For the year ended 31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Turnover	3	20,950	11,534
Other revenue	3	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	4	(3,583)	(8,426)
Finance costs	5	(50)	(51)
Share of loss of an associate		(33)	—
Loss before taxation		(3,666)	(8,477)
Taxation	6	—	—
Loss after taxation		(3,666)	(8,477)
Minority interests		(314)	(67)
Loss attributable to shareholders		(3,980)	(8,544)
Loss per share — basic	9	0.90 cent	1.99 cents

Balance Sheets

As at 31 March 2005

	Notes	GROUP		COMPANY	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Non-current assets					
Fixed assets	13	96	348	—	—
Interests in subsidiaries	14	—	—	24,381	27,210
Interests in associates	15	5,368	—	—	—
Total non-current assets		5,464	348	24,381	27,210
Current assets					
Trade receivables	16	1,923	1,936	—	—
Deposits, prepayments and other receivables		887	1,266	142	199
Bank balances and cash		20,437	27,002	10	49
Total current assets		23,247	30,204	152	248
Current liabilities					
Trade payables	17	(1,818)	(744)	—	—
Accruals and other payables		(4,525)	(3,979)	(745)	(758)
Customer deposits and receipts in advance		(12)	(30)	—	—
Convertible notes	18	(4,000)	—	(4,000)	—
Total current liabilities		(10,355)	(4,753)	(4,745)	(758)
Net current assets/(liabilities)		12,892	25,451	(4,593)	(510)
Total assets less current liabilities		18,356	25,799	19,788	26,700
Capital and reserves					
Share capital	19	34,530	34,320	34,530	34,320
Reserves	20	(17,731)	(13,764)	(15,742)	(12,620)
		16,799	20,556	18,788	21,700
Non-current liabilities					
Minority interests		557	243	—	—
Convertible notes	18	1,000	5,000	1,000	5,000
		18,356	25,799	19,788	26,700

Chan Chung
Chairman

Chan Wai Kwong, Peter
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2005

	<i>Notes</i>	2005 HK\$'000	2004 <i>HK\$'000</i>
Total equity as at beginning of year		20,556	110
Loss for the year	20	(3,980)	(8,544)
Issue of shares upon exercise of share options	19	210	66
Issue of shares upon placing of new shares	19, 20	—	33,000
Shares issue expenses	20	—	(3,943)
Translation adjustments	20	13	(133)
Total equity as at 31 March		16,799	20,556

Consolidated Cash Flow Statement

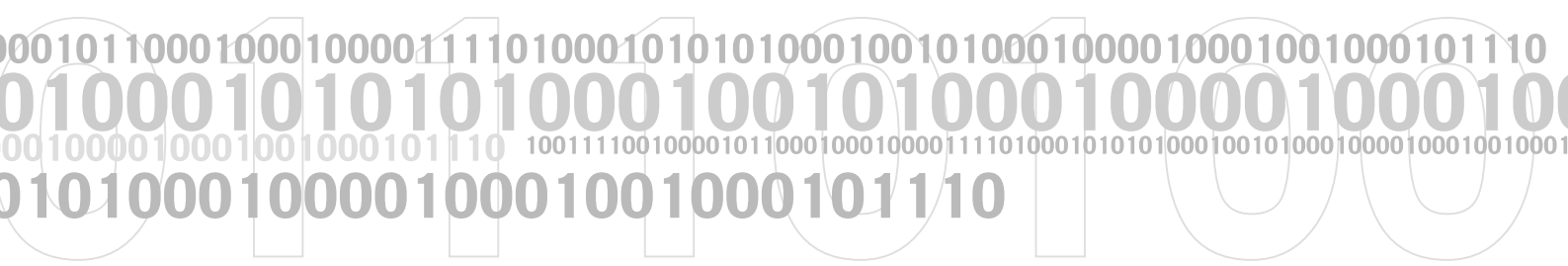
For the year ended 31 March 2005

Notes	2005 HK\$'000	2004 HK\$'000
Operating activities		
Loss before taxation	(3,666)	(8,477)
Adjustments for:		
Depreciation of fixed assets	269	1,727
Interest expense	50	51
Interest income	(13)	(74)
Provision for impairment loss of investment in an associate	—	1
Negative goodwill released	—	(119)
Share of loss of an associate	33	—
Operating loss before working capital changes	(3,327)	(6,891)
Decrease/(increase) in trade receivables	13	(233)
Decrease/(increase) in deposits, prepayments and other receivables	379	(71)
Increase in trade payables	1,249	569
Increase/(decrease) in accruals and other payables	384	(93)
Decrease in customer deposits and receipts in advance	(18)	(21)
Net cash outflow from operations	(1,320)	(6,740)
Interest paid	(50)	(51)
Interest received	13	74
Net cash outflow from operating activities	(1,357)	(6,717)
Investing activities		
Additions of fixed assets	(17)	—
Purchase of subsidiaries, net of cash used	—	(24)
Purchase of an associate	(5,326)	—
Increase in amount due from an associate	(75)	—
Net cash outflow from investing activities	(5,418)	(24)

Consolidated Cash Flow Statement

For the year ended 31 March 2005

	<i>Notes</i>	2005 HK\$'000	2004 <i>HK\$'000</i>
Financing activities	22(b)		
Proceeds from issue of convertible notes		—	1,000
Proceeds from issue of shares		210	33,066
Shares issue expenses		—	(3,943)
Net cash inflow from financing activities		210	30,123
(Decrease)/increase in cash and cash equivalents		(6,565)	23,382
Cash and cash equivalents at 1 April		27,002	3,620
Cash and cash equivalents at 31 March		20,437	27,002
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		20,437	27,002



Notes to the Accounts

1. CORPORATE INFORMATION

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.

Pursuant to a group reorganisation (the “Reorganisation”) in preparation for the listing of the Company’s shares on the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company acquired the entire issued capital of Mobile Telecom (BVI) Limited through a share swap and became the holding company of Mobile Telecom (BVI) Limited and its subsidiaries. Details of the Reorganisation are set out in the Prospectus of the Company dated 30 April 2003. The shares of the Company were listed on the GEM of the Stock Exchange on 9 May 2003.

During the year, the Company is an investment holding company and the principal activities of the subsidiaries are set out in note 14 to the accounts.

2. PRINCIPAL ACCOUNTING POLICIES

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 Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Impact of recently issued accounting standards

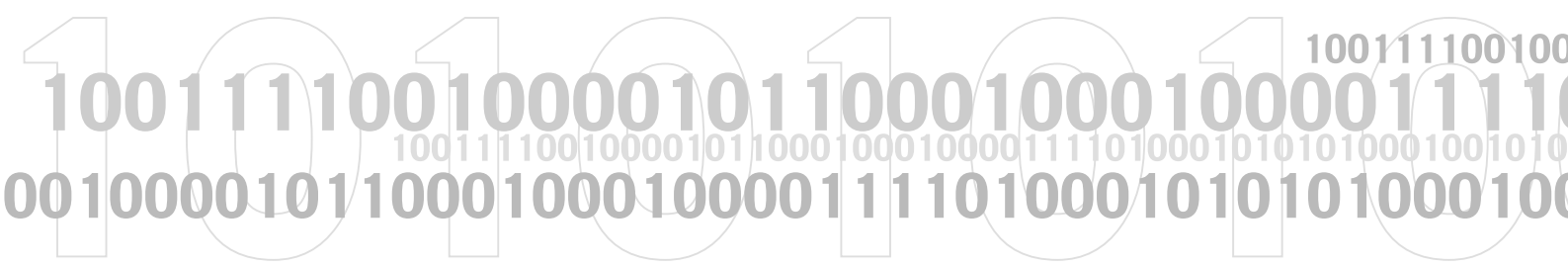
The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“HKASs”), herein collectively referred to as the new HKFRSs, where are generally effective for accounting periods beginning on or after 1 January 2005. The Group has resolved to early adopt the following new HKFRSs in the accounts for the year ended 31 March 2005:

HKFRS 3: Business combinations

HKAS 36: Impairment of assets

HKAS 38: Intangible assets

HKFRS 3 prescribes the accounting for business combinations. The early adoption of HKFRS 3 requires the early adoption of HKAS 36 and HKAS 38. The early adoption of HKFRS 3, HKAS 36 and HKAS 38 has resulted in a change in the accounting policy for goodwill. The major effects on the Group’s accounting policies are summarised as below.



Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) **Impact of recently issued accounting standards** *(Continued)*

The Group has already commenced an assessment of the impact of other new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

Negative goodwill

For acquisitions before 1 April 2004, negative goodwill is presented as a deduction from assets. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the profit and loss account immediately.

For acquisitions on or after 1 April 2004, negative goodwill is recognised in the profit and loss account immediately on acquisition.

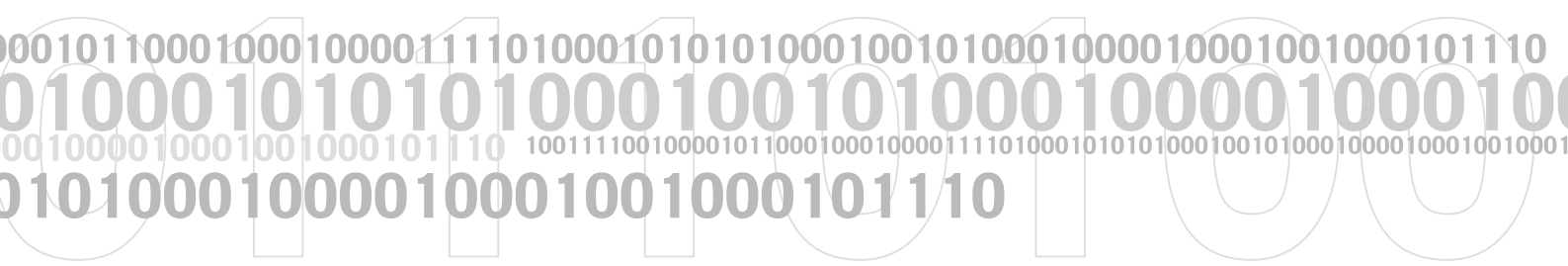
The adoption of HKFRS 3 does not have financial effect on the Group's results on prior and current years.

Positive goodwill

In prior years, as the Group did not have positive goodwill, the adoption of HKFRS 3 did not have financial effect on the Group's results for prior years.

For acquisitions on or after 1 April 2004, positive goodwill will be included in the consolidated balance sheet within interests in associates at cost less accumulated impairment losses and subject to impairment testing at least annually.

The adoption of HKAS 36 and HKAS 38 does not have material financial effect on the Group's results for prior and current years.



Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(ii) Subsidiaries

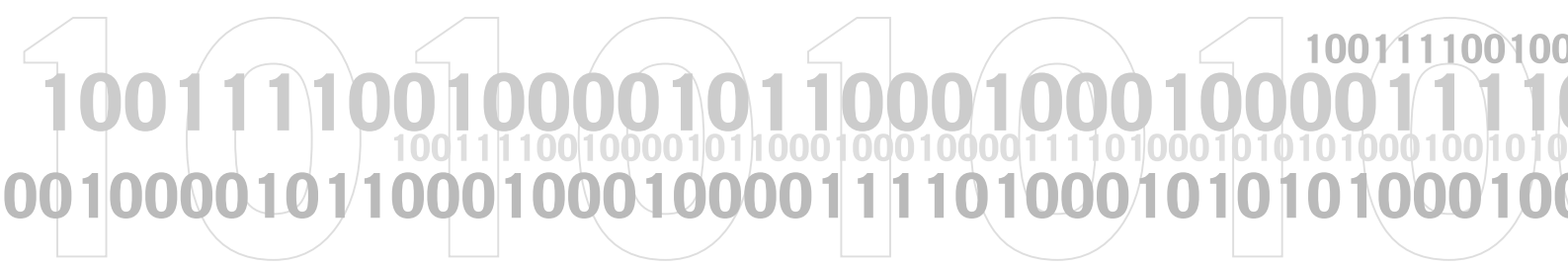
Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

In the Company's balance sheet, interests in subsidiaries are stated at cost less any provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(iii) Associates

An associate is an entity, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of the associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associates. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.



Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(c) Goodwill

Goodwill arising on acquisition of subsidiaries and associates is initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition. Goodwill arising on acquisition of associates is included in interests in associates.

Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicated that the carrying value may be impaired. Reversal of impairment loss of goodwill is prohibited.

(d) Research and development expenses

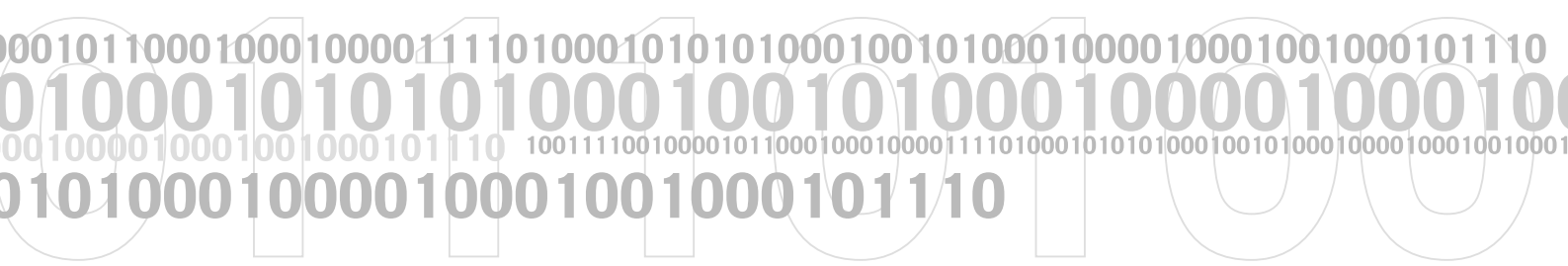
Research expenses are written off as incurred. Development expenses are also written off as incurred except for those incurred for specific projects which are deferred where recoverability can be foreseen with reasonable assurance and comply with the following criteria: (i) the product or process is clearly defined and the costs are separately identified and measured reliably; (ii) the technical feasibility of the product or process is demonstrated; (iii) the product or process will be sold or used in-house; (iv) a potential market exists for the product or process or its usefulness in the case of internal use is demonstrated; and (v) adequate technical, financial and other resources required for completion of the product or process are available.

All research and development expenses incurred during the year ended 31 March 2005 were expensed as no expenditure met the criteria for deferral.

(e) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment loss. Major expenditures on modifications and betterments of fixed assets which will result in increase in future economic benefits are capitalised, while expenditures on maintenance and repairs of fixed assets are expensed when incurred. Depreciation is provided on a straight-line basis to write off the cost of each asset over its estimated useful life. The annual rates of depreciation are as follows:

Computer hardware and software	33% to 50%
Leasehold improvements	20% to 50% (lease term)
Furniture and fixtures	20% to 33 $\frac{1}{3}$ %
Office equipment	20% to 33 $\frac{1}{3}$ %



Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(e) Fixed assets and depreciation *(Continued)*

The depreciation methods and useful lives are reviewed periodically to ensure that the methods and rates of depreciation are consistent with the expected pattern of economic benefits from the fixed assets.

(f) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(g) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(h) Employee retirement benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

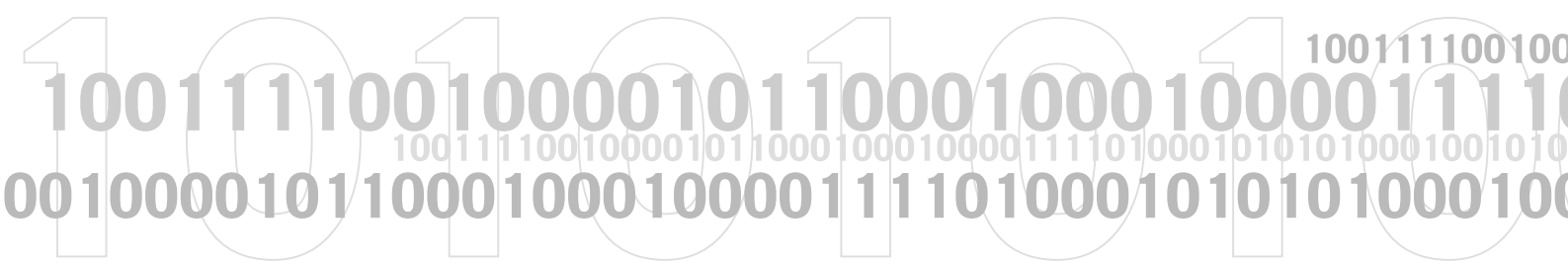
(ii) Pension obligations

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(i) Taxation

Individual companies within the Group provide for profits tax on the basis of their profits for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.



Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(i) **Taxation** *(Continued)*

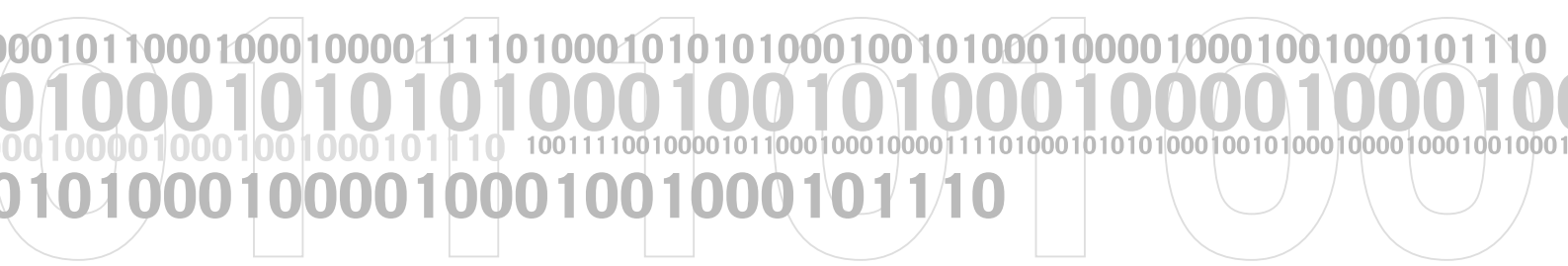
Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

(j) **Revenue recognition**

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group, on the following basis:

- (i) Sales of MobileSurf-installed pocket personal computers and computer accessories is recognised when the significant risks and rewards of ownership of the goods have been transferred to customers.
- (ii) Subscription fees from provision of MobileSurf services are recognised in the month during which the MobileSurf services are rendered.
- (iii) Service fees from provision of mobile data solutions and related services are recognised when the services are rendered.
- (iv) Fees for provision of mobile messaging services are recognised when the message is sent to mobile phone users.
- (v) Fees for development of customised software are recognised by reference to the stage of completion of the related development work. Stage of completion is generally determined by reference to the services performed to date as a proportion of total services to be performed.
- (vi) Interest income is recognised on a time-proportion basis on the principal outstanding and at the rates applicable.



Notes to the Accounts

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Foreign currency translation

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations (“functional currencies”). In the accounts of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions; monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date. Exchange gains and losses are dealt with in the profit and loss account.

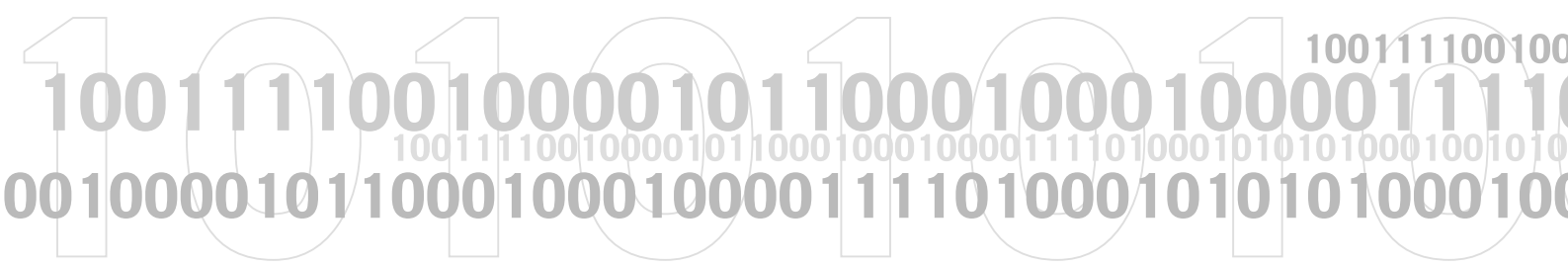
The Group prepares consolidated accounts in Hong Kong dollars. For the purpose of consolidation, all of the assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date and income and expense items of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the average applicable exchange rates during the year. Exchange differences arising from such translations are dealt with as movements of cumulative translation adjustments.

(l) Segment reporting

In accordance with the Group’s internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format and no segment information by business segment is presented as the Group operates in one business segment — mobile data solutions.

Unallocated costs represent corporate expenses. Segment assets consist primarily of trade receivables and operating cash. Segment liabilities comprise operating liabilities and convertible notes. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the countries in which the customers are located and total assets and capital expenditure are where the assets are located.



Notes to the Accounts

3. 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. Revenue recognised during the year is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
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.

Notes to the Accounts

3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Hong Kong/						Total 2005 HK\$'000
	Macau 2005 HK\$'000	Australia 2005 HK\$'000	Malaysia 2005 HK\$'000	Singapore 2005 HK\$'000	Taiwan 2005 HK\$'000	Others* 2005 HK\$'000	
	Turnover	6,857	9,167	867	1,622	1,202	
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

Notes to the Accounts

3. TURNOVER, REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	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.

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

Notes to the Accounts

4. LOSS FROM OPERATIONS

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
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 — <i>Note 10</i>	6,832	7,071

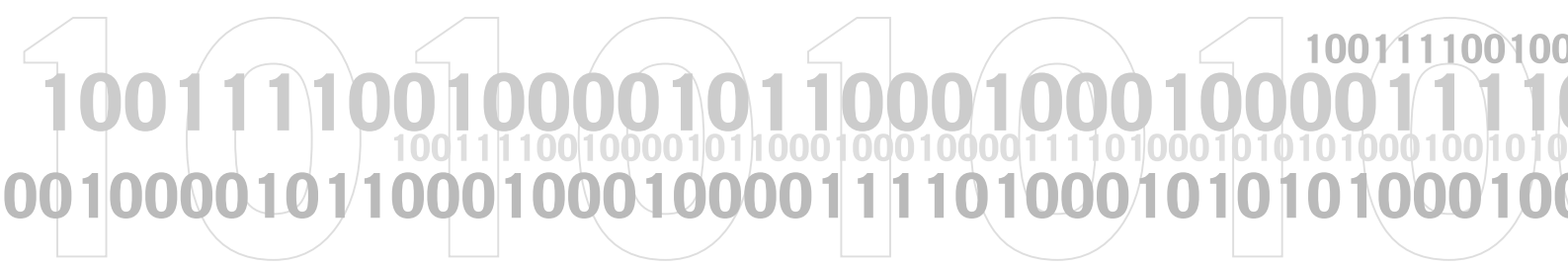
5. FINANCE COSTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest expense on convertible notes	50	51

6. 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 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).



Notes to the Accounts

6. TAXATION *(Continued)*

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	—	—

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Loss attributable to shareholders during the year included a loss of approximately HK\$3,122,000 (2004: HK\$7,533,000) dealt with in the accounts of the Company.

8. DIVIDENDS

No dividend was paid or declared by the Company or any of its subsidiaries during the year (2004: Nil).

9. 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.

Notes to the Accounts

10. STAFF COSTS

	2005	2004
	HK\$'000	<i>HK\$'000</i>
Wages and salaries	6,693	6,931
Pension costs — defined contribution schemes	139	140
	6,832	7,071

11. EMPLOYMENT RETIREMENT BENEFITS

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its Hong Kong employees makes monthly contributions to the Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Scheme Ordinance and up to a maximum of HK\$1,000 per employee per month (the "MPF Contributions"). The employees are required to contribute a corresponding amount to the MPF Scheme only if their relevant income is more than HK\$5,000 per month. The MPF Contributions are fully and immediately vested as accrued benefits to the employees once they are paid.

Notes to the Accounts

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments for the year, disclosed pursuant to the GEM Listing Rules and the Hong Kong Companies Ordinance, are as follows:

	Fees		MPF	Other	Total	Total
	2005	2005	contributions	emoluments	2005	2004
Directors	HK\$'000	HK\$'000	2005	2005	HK\$'000	HK\$'000
Executive directors:						
Chan Chung	—	1,274	12	439	1,725	1,612
Chan Wai Kwong, Peter	—	330	12	—	342	399
Non-executive directors:						
Chen Man Lung	39	—	—	—	39	57
Goh Yu Min	60	—	—	—	60	57
Monica Maria Nunes	12	—	—	—	12	57
Independent non-executive directors:						
Jeffery Matthew Bistrong	100	—	—	—	100	96
Yin Pi-tak, Peter	—	—	—	—	—	96
Charles George St. John Reed	100	—	—	—	100	—
Ko Tak Fai, Desmond	43	—	—	—	43	—
Total	354	1,604	24	439	2,421	2,374

During the year, no emoluments were paid by the Group to any of the above directors or the five highest paid individuals as an inducement to join the Group, or as compensation for loss of office. None of them had waived any emoluments.

Notes to the Accounts

12. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

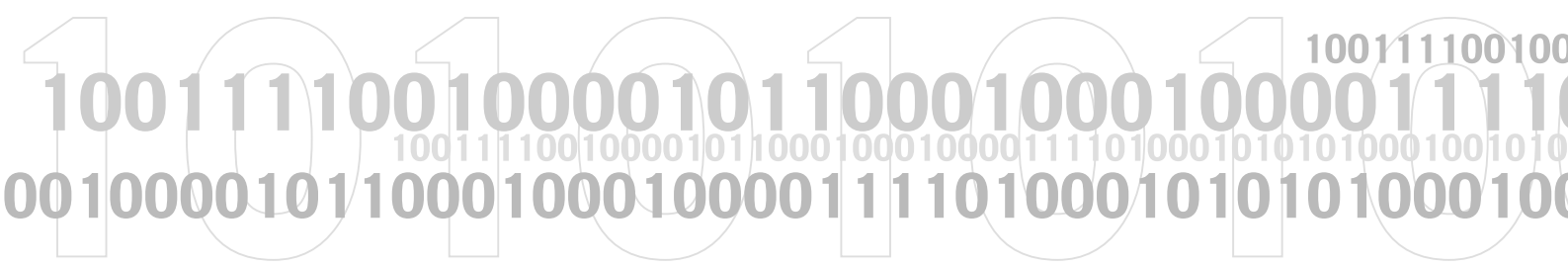
(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2004: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2004: three) individuals during the year are as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Basic salaries, housing allowances, share options, other allowances and benefit in kind	971	812
Contributions to pension schemes	36	27
	1,007	839

The number of the remaining three (2004: three) individuals whose emoluments fall within the following band:

	2005	2004
HK\$nil to HK\$1,000,000	3	3



Notes to the Accounts

13. FIXED ASSETS

	Group			
	Computer hardware and software <i>HK\$'000</i>	Leasehold, improvements furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1 April 2004	7,491	304	238	8,033
Additions	17	—	—	17
At 31 March 2005	7,508	304	238	8,050
Accumulated depreciation				
At 1 April 2004	7,304	203	178	7,685
Charge for the year	156	74	39	269
At 31 March 2005	7,460	277	217	7,954
Net book value				
At 31 March 2005	48	27	21	96
At 31 March 2004	187	101	60	348

Notes to the Accounts

14. INTERESTS IN SUBSIDIARIES

In the Company's balance sheet, interests in subsidiaries consisted of:

	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	24,319	24,319
Due from subsidiaries (<i>Note (i)</i>)	59,180	62,009
<i>Less: Impairment loss</i>	83,499	86,328
	(59,118)	(59,118)
	24,381	27,210

Details of the subsidiaries as at 31 March 2005 were:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
<i>Directly held:</i>				
Mobile Telecom (BVI) Limited	British Virgin Islands	Investment holding in Hong Kong	100 ordinary shares of US\$1 each	100%
<i>Indirectly held:</i>				
MTel Limited	Hong Kong	Development and provision of mobile data solutions and related services in Hong Kong	100 ordinary shares of HK\$0.01 each 100,000,000 non-voting deferred shares of HK\$0.01 each <i>(Note (ii))</i>	100%

Notes to the Accounts

14. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
<i>Indirectly held: (Continued)</i>				
MTel (Singapore) Pte Limited	Singapore	Provision of mobile data solutions and related services in Singapore	30,000 ordinary shares of SG\$1 each	100%
MTel (Taiwan) Limited	British Virgin Islands	Provision of mobile data solutions and related services in Taiwan	100 ordinary shares of US\$1 each	100%
M Telecom Corporation	The USA	Provision of liaison services in the USA	1,000 ordinary shares of US\$1 each	100%
Mobilemode Limited	Hong Kong	Investment holding and the provision of mobile complete solutions for purposes of enhancing tele-operators mobile portals in Hong Kong	25,000,000 ordinary shares of HK\$0.01 each	60%
Mobilemode (Singapore) Pte Limited	Singapore	Provision of mobile complete solutions in Singapore	25,000 ordinary shares of SG\$1 each	60%
Mobilemode (Australia) Pty Limited	Australia	Provision of mobile complete solutions in Australia	100 ordinary shares of AU\$1 each	60%
Madpulse.com Limited	Hong Kong	Investment holding in Hong Kong	10,000 ordinary shares of HK\$1 each	60%

Notes to the Accounts

14. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes:

- (i) The amounts due from subsidiaries are unsecured, non-interest bearing and not repayable until the subsidiaries are financially capable to do so.
- (ii) Holders of non-voting deferred shares have no voting rights, are not entitled to dividends and are not entitled to any distribution upon winding up unless a sum of HK\$100,000,000,000,000 has been distributed by the Company to the holders of its ordinary shares.

15. INTERESTS IN ASSOCIATES

	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	—	1
Share of net assets, other than goodwill	43	—
Goodwill	5,250	—
	5,293	1
Due from an associate	75	—
	5,368	1
Less: Impairment loss	—	(1)
	5,368	—

The amount due from an associate is unsecured, non-interest bearing and with no repayment term.

Notes to the Accounts

15. INTERESTS IN ASSOCIATES (Continued)

Details of the associate as at 31 March 2005 were:

Name	Place of incorporation	Principal activities and place of operation	Registered capital	Interest held
廣州流之動資訊技術有限公司 (Formerly廣州滙港軟件技術有限公司)	PRC	Development and provision of mobile data solutions and related services in the PRC	RMB500,000	40%

16. TRADE RECEIVABLES

The credit period granted by the Group to its customers is generally 30 days. The aging analysis of trade receivables is as follows:

	2005 HK\$'000	2004 HK\$'000
0 to 30 days	1,223	741
31 to 60 days	444	532
61 to 90 days	77	232
91 to 180 days	98	431
Over 180 days	81	—
	1,923	1,936

Notes to the Accounts

17. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
0 to 30 days	397	159
31 to 60 days	398	168
61 to 90 days	73	121
Over 90 days	950	296
	1,818	744

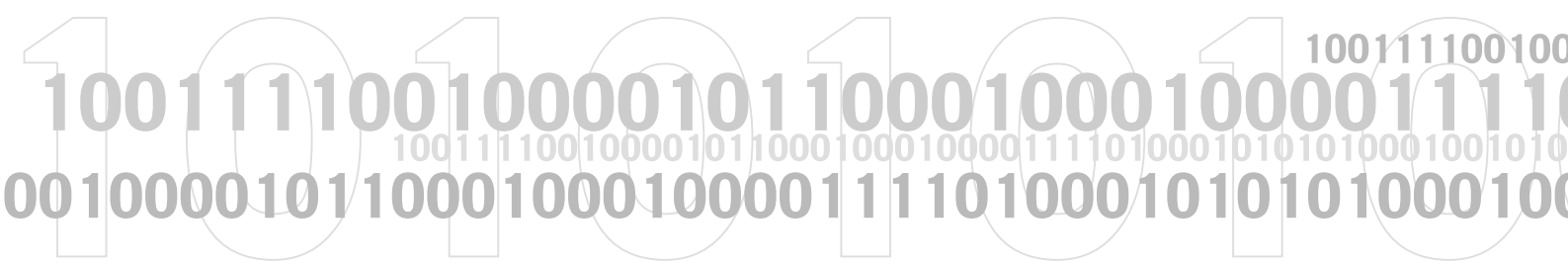
18. CONVERTIBLE NOTES

The convertible notes issued are unsecured, bear interest at 1% per annum, are convertible into shares of the Company based on a prescribed formula (subject to adjustment) over a period of three years from the date of issue, and are repayable upon maturity at the end of a three-year period from the date of issue if not converted or at the option of the holders of the convertible notes extend such a date to two years after a proposed listing of the Company's shares on the GEM of the Stock Exchange if the listing happens after one year but before the end of the three-year period of the issue of the convertible notes.

The Group's convertible notes were repayable as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Within one year	4,000	—
In the second year	1,000	4,000
In the third to fifth year	—	1,000
	5,000	5,000

On 9 May 2005, one of the convertible note holders, Vodatel Information Limited, exercised the conversion of convertible notes amounting to HK\$1,200,000 into 15,384,615 ordinary shares of the Company.



Notes to the Accounts

19. SHARE CAPITAL

	Note	Ordinary shares of US\$0.01 each	
		Number of shares	Nominal value HK\$'000
Authorised:			
At 31 March 2004 and 31 March 2005		2,000,000,000	156,000
Issued:			
At 1 April 2003		69,092,167	5,323
Subscription received	(a)	—	66
Shares issued pursuant to the capitalisation issue	(b)	260,907,833	20,351
Shares issued pursuant to the placing of new shares	(c)	110,000,000	8,580
At 31 March 2004		440,000,000	34,320
Issue of shares upon exercise of share options	(d)	2,042,133	210
At 31 March 2005		442,042,133	34,530

Notes:

- (a) On 21 March 2003, Mr. Chan Wai Kwong, Peter, an executive director of the Group, exercised his options and subscribed for 850,888 shares of US\$0.01 each for cash of approximately HK\$66,000 (equivalent of US\$8,509) of which was not received until 30 April 2003.
- (b) On 6 May 2003, the Company issued 260,907,833 shares of US\$0.01 each to its shareholders (before the placement as described in note 19(c) below) in proportion of their respective shareholdings in the Company, by capitalisation of approximately HK\$20,351,000 (equivalent of US\$2,609,078) from the share premium resulting from the placing as described in note 19(c) below.
- (c) On 6 May 2003, 110,000,000 shares of US\$0.01 each were issued by way of placing for cash of HK\$0.3 per share, raising an amount of HK\$33,000,000 (equivalent of US\$4,230,769). Total share issue costs amounted to approximately HK\$7,400,000, of which approximately HK\$3,410,000 was incurred as at 31 March 2003, and the whole amount was recorded as a deduction against shareholders' equity.
- (d) On 17 August 2004, one of the initial management shareholders of the Company exercised its share options and subscribed for 2,042,133 shares of HK\$0.103 (equivalent of US\$0.013) each for cash of approximately HK\$210,000.

Notes to the Accounts

20. RESERVES

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Group		Accumulated deficits <i>HK\$'000</i>	Total <i>HK\$'000</i>
				Shares issue costs <i>HK\$'000</i>	Cumulative translation adjustments <i>HK\$'000</i>		
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)
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)

Notes to the Accounts

20. RESERVES (Continued)

	COMPANY					Total HK\$'000
	Share premium HK\$'000	Contributed surplus HK\$'000 Note (ii)	redemption reserve HK\$'000	Shares issue costs HK\$'000	Accumulated deficits HK\$'000	
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)
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 Company 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.

Notes to the Accounts

21. SHARE OPTIONS

The Company adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Share Option Scheme") and a Share Option Scheme (the "Share Option Scheme") on 27 March 2003.

The purposes of the share option schemes are to provide incentives or rewards for any full-time employees, executives or officers, directors of the Company or any of the subsidiaries and any suppliers, consultants, agents and/or advisors who have contributed to the Company and/or any of its subsidiaries.

(i) Pre-IPO Share Option Scheme

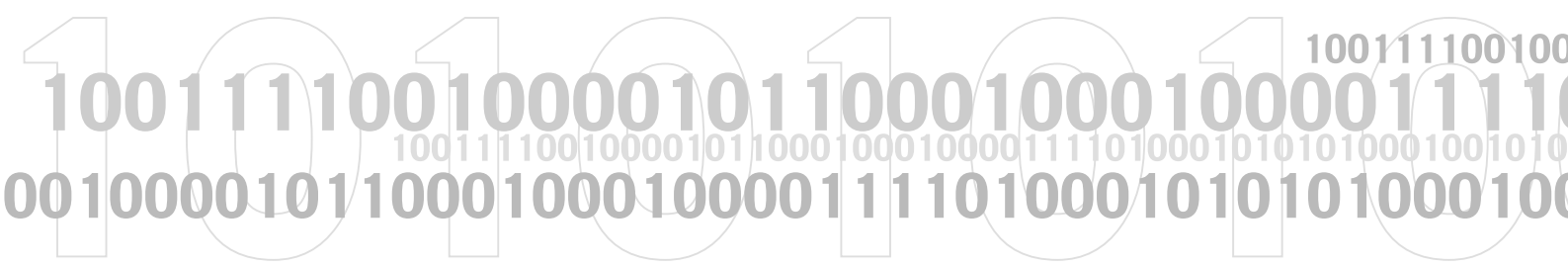
Pursuant to the Pre-IPO Share Option Scheme, the Company had granted Pre-IPO share options to two executive directors, one business consultant and employees. The options granted under the Pre-IPO Share Option Scheme entitle the holders to subscribe for a total of up to 2,530,000 shares at exercise prices ranging from HK\$0.103 to HK\$0.114 each, representing, in aggregate, approximately 0.58% of the existing issued share capital of the Company. All of the options have duration of ten years from 9 May 2003 to 8 May 2013. There are restrictions to options holders that 83.8%, 10.1% and 6.1% of the options granted under the Pre-IPO Share Option Scheme are only exercisable by the options holders after the expiry of 12, 24 and 36 months from 9 May 2003 respectively.

On 26 April 2004 and 30 August 2004, share options were granted to certain employees to subscribe for respectively 750,000 shares and 192,500 shares of the Company at an exercise price of HK\$0.32 each. 192,500 shares of the aforesaid options were lapsed during the year and the remaining options are exercisable after one year from the date of grant.

Movements in the number of share options outstanding during the year are as follows:

	Number of options	
	2005	2004
At beginning of year	1,780,000	2,530,000
Granted	942,500	—
Lapsed	(192,500)	(750,000)
At 31 March	2,530,000	1,780,000

No share options were exercised during the year.



Notes to the Accounts

21. SHARE OPTIONS *(Continued)*

(ii) Share Option Scheme

Pursuant to the Share Option Scheme, the Company may grant share options to any full-time employees, executive or officers, directors of the Company or its subsidiaries and any suppliers, consultants, agents and advisors who have contributed to the Group to subscribe for shares in the Company. Options granted are exercisable at any time during a period to be notified by the Board of Directors of the Company to grantees provided that the period within which the options must be exercised shall be not more than ten years from the date of grant of the options. The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not exceed 10% of the issued share capital of the Company from time to time. The subscription price of the option shares is not to be less than the higher of (a) the closing price of one share as stated in the stock exchange's daily quotations sheet on the date of grant, (b) the average of the closing price of the shares as stated in the stock exchange's daily quotations sheet for the five business days immediately preceding the date of grant, and (c) the nominal value of a share.

(iii) Other Options

On 4 September 2001, options were granted to a former director of the Company to subscribe for 3,000,000 shares in the Company at an exercise price of HK\$0.078 (equivalent of US\$0.01) per share. These options are exercisable upon a listing of the Company shares on stock exchange.

On 28 March 2002, options were granted to one of the initial management shareholders of the Company, to subscribe for 2,042,133 shares in the Company at an exercise price of HK\$0.50 (equivalent of US\$0.064) per share. Pursuant to a supplemental agreement dated 3 April 2003, the exercise price of these options was adjusted to HK\$0.103 per share (equivalent of US\$0.013). On 17 August 2004, the share options were exercised and the details of subscription of shares are set out in note (19)(d) to the accounts.

Notes to the Accounts

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Purchase of subsidiaries:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net assets acquired		
Fixed assets	—	413
Trade receivables	—	951
Deposits, prepayments and other receivables	—	429
Bank balances and cash	—	126
Trade payables	—	(20)
Accruals and other payables	—	(1,451)
Minority shareholders' interest	—	(179)
	—	269
Negative goodwill	—	(119)
	—	150
Satisfied by:		
Cash	—	150
Analysis of the cash outflow in respect of the purchase of subsidiaries:		
Cash consideration	—	(150)
Bank balances and cash acquired	—	126
Net cash outflow in respect of the purchase of subsidiaries	—	(24)

Notes to the Accounts

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in financing:

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Share issue expenses <i>HK\$'000</i>	Convertible notes <i>HK\$'000</i>
At 1 April 2003	5,323	38,587	(3,410)	4,000
Cash inflow from issue of shares <i>(Notes 19(a) and (c))</i>	8,646	24,420	—	—
Shares issue expenses	—	—	(3,943)	—
Offset shares issue expenses against share premium	—	(7,353)	7,353	—
Issue of shares for non-cash considerations <i>(Note 19(b))</i>	20,351	(20,351)	—	—
Issue of convertible notes	—	—	—	1,000
At 31 March 2004	34,320	35,303	—	5,000
Cash inflow from issue of shares <i>(Note 19(d))</i>	210	—	—	—
At 31 March 2005	34,530	35,303	—	5,000

Notes to the Accounts

23. DEFERRED TAXATION

Deferred tax (assets)/liabilities have not been recognised in respect of the following items:

	2005	2004
	HK\$'000	HK\$'000
(Deductible)/taxable temporary differences	(1,204)	1,011
Unused tax losses	(70,263)	(69,084)
	(71,467)	(68,073)

The deductible temporary differences and unused tax losses do not expire under current tax legislation.

24. COMMITMENTS

Total commitments under various non-cancellable operating agreements in respect of rental premises are analysed as follows:

	2005	2004
	HK\$'000	HK\$'000
Amounts payable		
— Not later than one year	474	549
— Later than one year and not later than five years	—	474
	474	1,023

25. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the board of directors on 31 May 2005.

Financial Summary

The following is summary of the published results and assets and liabilities of the Group for the prior financial years prepared on the basis set out in the note below:

RESULTS

		Year ended 31 March				From 25 May 2000 (date of incorporation) to 31 March
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	
Turnover	20,950	11,534	4,325	1,170	2,381	
Loss attributable to shareholders	3,980	8,544	8,750	27,113	23,674	

ASSETS AND LIABILITIES

		As at 31 March			
	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Total assets	28,711	30,552	6,801	12,968	42,280
Total liabilities and minority interests	(11,912)	(9,996)	(6,691)	(744)	(3,574)
Shareholders' funds	16,799	20,556	110	12,224	38,706

Note:

1. The Company was incorporated in the Cayman Islands on 25 May 2000 and became the holding company of the companies comprising the Group pursuant to the Reorganisation. Accordingly, the combined results, assets and liabilities for the period from 25 May 2000 (date of incorporation) to 31 March 2001 and the two years ended 31 March 2003 are prepared based on the audited financial statements of the companies comprising the Group as if the current group structure had been in existence since 25 May 2000.