MOBILE TELECOM NETWORK (HOLDINGS) LIMITED
流動電訊網絡(控股)有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8266)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2006

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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

* *for identification purposes only*

HIGHLIGHTS

- Turnover was HK$20,982,000. No material change as compared to HK$20,950,000 for the corresponding period in the previous financial year.

- The year's gross profit of HK$8,738,000 was higher than the previous financial year's, reflecting price improvements across the Group business. Gross margin for the year was 42%, a six percent improvement over that in the previous financial year.

- Basic loss per share of the Group was narrowed to HK$0.28 cent for the year ended 31 March 2006, representing an decrease of approximately 70% as compared to approximately HK$0.94 cents for the corresponding period in the previous financial year.

- The Directors do not recommend the payment of a final dividend.

AUDITED CONSOLIDATED INCOME STATEMENT

The board of Directors (the "Board") is delighted to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2006, together with the comparative audited figures for the corresponding year ended 31 March 2005 as follows:

			As restated
		2006	2005
	Notes	***HK$'000***	*HK$'000*
Turnover	*2*	**20,982**	20,950
Other income	*2*	**1,083**	168
Telecom operators costs		**(12,244)**	(13,420)
Employment costs		**5,847**	(5,768)
Research and development expenses		**(859)**	(1,064)
Depreciation of property, plant and equipment		**(148)**	(269)
Other operating expenses		**(3,990)**	(4,180)
Operating loss	*3*	**(1,023)**	(3,583)
Finance costs		**(74)**	(237)
Share of profit/(loss) of an associate		**64**	(33)
Share of loss of a jointly controlled entity		**(4)**	—
Loss before taxation		**(1,037)**	(3,853)
Taxation	*4*	**(224)**	—
Loss for the year		**(1,261)**	(3,853)
Attributable to:			
Equity holders of the Company		**(1,322)**	(4,167)
Minority interests		**61**	314
		(1,261)	(3,853)
Loss per share for loss attributable to the equity holders of the Company during the year			
— basic	*6*	**0.28 cent**	0.94 cent

AUDITED CONSOLIDATED BALANCE SHEET

At 31 March 2006

	Notes	2006 HK$'000	As restated 2005 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**192**	96
Interest in an associate		**5,715**	5,368
Interest in a jointly controlled entity		**37**	—
		5,944	5,464
Current assets			
Trade and other receivables	*7*	**6,026**	2,810
Cash and cash equivalents		**14,068**	20,437
		20,094	23,247
Total assets		**26,038**	28,711
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**36,930**	34,530
Reserves		**(18,981)**	(17,687)
		17,949	16,843
Minority interests		**637**	557
Total equity		**18,586**	17,400
LIABILITY			
Non-current liabilities			
Convertible notes		**—**	961
Current liabilities			
Trade and other payables	*8*	**6,828**	6,355
Convertible notes		**400**	3,995
Current tax liabilities		**224**	—
		7,452	10,350
Total liabilities		**7,452**	11,311
Total equity and liabilities		**26,038**	28,711
Net current assets		**12,642**	12,897
Total asset less current liabilities		**18,586**	18,361

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2006

	Attributable to equity holders of the Company					
	Share capital	**Share premium**	**Other reserves**	**Accu-mulated deficits**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 April 2004, as previously reported as equity	34,320	35,303	19,849	(68,916)	—	20,556
Balance at 1 April 2004, as previously separately reported as minority interests	—	—	—	—	243	243
Initial recognition of convertible notes — equity component and interest expense	—	—	545	(314)	—	231
Balance at 1 April 2004, as restated	34,320	35,303	20,394	(69,230)	243	21,030
Translation adjustments	—	—	13	—	—	13
Issue of shares	210	—	—	—	—	210
Loss for the year	—	—	—	(4,167)	314	(3,853)
Balance at 31 March 2005, as restated	34,530	35,303	20,407	(73,397)	557	17,400
Balance at 1 April 2005, as per above	34,530	35,303	20,407	(73,397)	557	17,400
Translation adjustments	—	—	2	—	—	2
Elimination on winding-up of a subsidiary	—	—	26	—	—	26
Shares issued on conversion of convertible notes	2,400	261	(261)	—	—	2,400
Redemption of convertible notes	—	—	(240)	240	—	—
Acquisition of a subsidiary	—	—	—	—	19	19
Loss for the year	—	—	—	(1,322)	61	(1,261)
Balance at 31 March 2006	36,930	35,564	19,934	(74,479)	637	18,586

1. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4 of the financial statements.

The adoption of new/revised HKFRS

As described in 2005 financial statements, with effective 1 April 2005, the Group had elected to early adopt HKFRS 3 "Business combinations", HKAS 36 "Impairment of assets" and HKAS 38 "Intangible assets". The effect of the adoption of the above revised HKFRS had been disclosed in the 2005 financial statements.

In 2006, the Group adopted the new/revised standards and interpretations of HKFRS below, which are relevant to its operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 39	Financial Instruments: Recognition and Measurement
HK(SIC)-Int 12	Scope of HK(SIC)-Int 12 Consolidation — Special Purpose Entities
HK(SIC)-Int 15	Operating Leases — Incentives
HKFRS 2	Share-based Payments

The adoption of new/revised HKASs 1, 7, 8, 10, 16, 17, 21, 24, 27, 28, 31, 33 and HK(SIC)-Ints 12 and 15 did not result in substantial changes to the Group's accounting policies. In summary:

— HKAS 1 has affected the presentation of minority interests, taxes of jointly controlled entities and associates attributable to the Group, which were previously included in the tax charge on the consolidated income statement, and now included in the share of profits and losses of jointly controlled entities and associates respectively.

— HKAS 7, 8, 10, 16, 17, 27, 28, 31, 33 and HK(SIC)-Ints 12 and 15 had no material effect on the Group's policies.

— HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

— HKAS 24 has affected the identification of related parties and some other related party disclosures.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

All the investments as at 31 March 2005 that should be measured at fair value on adoption of HKAS 39 should be remeasured at 1 April 2005 and any adjustment of the previous carrying amount should be recognised as an adjustment of the balance of retained profits at 1 April 2005. However, the adoption of HKAS 39 has had no material effect on the Group's results and equity.

In accordance with the provisions of HKAS 32, the terms of a non-derivative financial instrument are evaluated to determine whether it contains both a liability and an equity component and shall be classified separately as a financial liability or an equity instrument, respectively.

The adoption of HKAS 32 resulted in an increase in opening reserves at 1 April 2004 by HK$231,000. The adoption of HKAS 32 also resulted in:

	2006	2005
	HK$'000	*HK$'000*
Increase in convertible notes reserve — Equity component	**44**	545
Increase in accumulated deficits	**305**	501
Increase in share premium	**261**	—
Decrease in convertible notes — Liability component	**—**	44
Increase in interest expense	**42**	187
Increase in other operating expenses	**2**	—
Increase in basic loss per share	**0.01 cent**	0.04 cent

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 April 2005, in order to comply with HKFRS 2, the Group recognises the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related capital reserve is transferred directly to retained profits.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except that the Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

(a) all options granted to employees on or before 7 November 2002; and

(b) all options granted to employees after 7 November 2002 but which had vested before 1 April 2005.

No adjustments to the opening balances as at 1 April 2004 and 1 April 2005 are required as there is insignificant portion of options existed at that time which were unvested at 1 April 2005.

HKFRS that have been issued but are not yet effective for the year included the following HKFRS which may be relevant to the Group's operations and financial statements:

	Effective for financial year beginning on or after
Amendments, as a consequence of Hong Kong Companies (Amendment) Ordinance 2005 to:	
— HKAS 1 Presentation of Financial Statements	1 January 2006
Amendments to HKAS 39 Financial instruments: recognition and measurement and HKFRS 4 insurance contracts	
— Financial guarantee contracts	1 January 2006
HKFRS 7 Financial instruments: disclosures	1 January 2007
Amendments to HKAS 1 Presentation of financial statements: Capital disclosures	1 January 2007

Initial assessment has indicated that the adoption of these HKFRS would not have a significant impact on the Group's financial statements in the year of initial application. The Group will be continuing with the assessment of the impact of these HKFRS and other significant changes may be identified as a result.

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

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

	2006	2005
	HK$'000	*HK$'000*
Turnover		
Subscription fees from provision of Mobilesurf services	**—**	6
Service fees from provision of mobile data solutions and related services	**20,982**	20,944
	20,982	20,950
Other income		
Interest income	**325**	13
Negative goodwill recognized as income	**28**	—
Waiver of loan due from a minority shareholder of a subsidiary	**553**	—
Sundry income	**177**	155
	1,083	168
	22,065	21,118

Primary reporting format — Business segments

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

Secondary reporting format — geographical segments

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

	Hong Kong/ Macau 2006 *HK$'000*	Australia 2006 *HK$'000*	Malaysia 2006 *HK$'000*	Singapore 2006 *HK$'000*	Taiwan 2006 *HK$'000*	Others* 2006 *HK$'000*	Total 2006 *HK$'000*
Turnover	8,429	8,276	169	1,700	1,248	1,160	20,982
Segment results	770	772	68	(6)	299	489	2,392
Unallocated costs							(3,415)
Operating loss							(1,023)
Finance costs							(74)
Share of profit of an associate							64
Share of loss of a jointly controlled entity							(4)
Loss before taxation							(1,037)
Taxation							(224)
Loss for the year							(1,261)
Loss attributable to equity holders							(1,322)
Minority interests							61
							(1,261)
Segment assets	14,922	3,644	17	1,187	356	—	20,126
Interest in an associate							5,715
Interest in a jointly controlled entity							37
Unallocated assets							160
Total assets							26,038
Segment liabilities	(2,537)	(2,440)	—	(851)	(25)	—	(5,853)
Unallocated liabilities							(1,599)
Total liabilities							(7,452)
Capital expenditure	178	27	—	35	—	—	240
Depreciation of property, plant and equipment	126	4	—	18	—	—	148

	Hong Kong/ Macau 2005 *HK$'000*	Australia 2005 *HK$'000*	Malaysia 2005 *HK$'000*	Singapore 2005 *HK$'000*	Taiwan 2005 *HK$'000*	Others* 2005 *HK$'000*	Total 2005 *HK$'000*
Turnover	6,857	9,167	867	1,622	1,202	1,235	20,950
Segment results	(5,332)	3,411	260	594	195	361	(511)
Unallocated costs							(3,072)
Operating loss							(3,583)
Finance costs, as restated							(237)
Share of loss of an associate							(33)
Loss before taxation							(3,853)
Taxation							—
Loss for the year							(3,853)
Loss attributable to equity holders							(4,167)
Minority interests							314
							(3,853)
Segment assets	21,714	448	29	680	319	1	23,191
Interest in an associate							5,368
Unallocated assets							152
Total assets							28,711
Segment liabilities	(5,117)	—	(4)	(440)	(22)	(27)	(5,610)
Unallocated liabilities							(5,701)
Total liabilities							(11,311)
Capital expenditure	17	—	—	—	—	—	17
Deprecation of property, plant and equipment	254	—	—	—	6	9	269

* Others represent 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.

3. OPERATING LOSS

Operating loss is stated after charging/(crediting) the followings:

	2006	2005
	HK$'000	*HK$'000*
Auditors' remuneration	**314**	210
Depreciation of property, plant and equipment	**148**	269
Staff costs, including directors' emoluments and amount classified as research and development expenses	**6,706**	6,832
Net exchange loss/(gain)	**1**	(178)
Operating lease rentals of premises and facilities	**624**	596
Bad debts written off	**—**	411

4. TAXATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from 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 is made in the financial statements as the Group has sufficient tax losses brought forward available to offset the current estimated profit (2005: Nil). Taxation on overseas profits has been calculated on the estimated profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2006	2005
	HK$'000	*HK$'000*
Current tax		
— Hong Kong Profits tax	**—**	—
— Overseas taxation	**224**	—
Taxation charge	**224**	—

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:

	2006 *HK$'000*	As restated 2005 *HK$'000*
Loss before taxation	**(1,037)**	(3,853)
Calculated at a taxation rate of 17.5% (2005: 17.5%)	**(181)**	(674)
Tax effect of income not subject to taxation	**(215)**	(2)
Tax effect of expenses not deductible for taxation purposes	**503**	70
Tax effect of temporary differences for the year unrecognised	**(16)**	388
Tax effect of tax losses unrecognised	**157**	206
Tax effect of utilisation of previously unrecognised tax losses	**(113)**	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	**89**	12
Taxation charge	**224**	—

5. DIVIDENDS

No dividend was paid or declared by the Company or any of its subsidiaries during the year (2005: Nil).

6. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders for the year of approximately HK$1,322,000 (As restated 2005: HK$4,167,000), and on the weighted average number of approximately 465,772,375 shares (2005: 441,270,039 shares) in issue during the year.

A diluted loss per share amount for the years ended 31 March 2006 and 2005 has not been disclosed as share options and convertible notes outstanding during the year had anti-dilutive effects on the basic loss per share for the year.

7. TRADE RECEIVABLE

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

	2006 *HK$'000*	2005 *HK$'000*
0 to 30 days	**2,812**	1,223
31 to 60 days	**458**	444
61 to 90 days	**312**	77
91 to 180 days	**347**	98
Over 180 days	**302**	81
	4,231	1,923

8. TRADE PAYABLE

The aging analysis of trade payables is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 to 30 days	**388**	397
31 to 60 days	**544**	398
61 to 90 days	**462**	73
Over 90 days	**1,435**	950
	2,829	1,818

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the year ended 31 March 2006, the Group recorded a turnover of HK$20,982,000 (2005: HK$20,950,000). Loss attributable to shareholders of the Group was recorded of HK$1,261,000 (As restated 2005: HK$3,853,000) representing 67% decrease when compared of that with the same period in 2005. The decrease was primarily due to the improvement in gross margin. As the Group has now focused on higher margin services, the gross margin has improved from approximately 36% to 42% when compared with the same period in 2005. Besides, interest income and other income during the year increased by HK$312,000 and HK$603,000 respectively as a result of decrease in loss attributable to shareholders of the Group for the year end 31 March 2006.

The group consolidated turnover for the three-month period ended 31 March 2006 amounted to approximately HK$7,105,000 representing an increase of 45% as compared to HK$4,907,000 that was recorded in the corresponding period of the previous financial period. For the three-month period ended 31 March 2006, net profit HK$621,000 is noted which reduction in net loss from $1,882,000 for the nine-month period ended 31 December 2005 to HK$1,261,000 for the year ended 31 March 2006.

Business review

Our value added mobile business has been in an industry transition. Conventional 2G businesses such as ring-tones downloads are seeing considerable revenue declined. On the positive note, more operators in the region are rolling out their 3G networks and the products that the Group represents are playing a key strategic role in this development. The Group anticipates that more developments in 3G offerings are heating up in other parts of the Asia Pacific region, e.g. Taiwan, Singapore, Malaysia and Australia as well as in New Zealand. It is expected that more operators will expand their 3G services in the coming years.

The mobile entertainment segment has reached a point of richer and user-friendlier contents thus delivering real value for the subscribers. The Group has launched several major value added services under strategic alliances with well-known content providers in order to be able to fulfil the requirements in the markets where it operates. Recent examples include the Group's partnerships with eBay to deploy the 1st Asia mobile bidding platform on mobile phone where the services have been available in Hong Kong and Singapore. A well-known broadcasting network provider, Discovery Channel has appointed the Group as a technical partner on mobile segment and the service "Discovery Mobile" is now available in Hong Kong and Taiwan. Other recent partnerships with the Group include content providers, well known brands as well as mobile marketing partners.

The Group continues to have its strategic focus in further developing its 3G service offering not only in Hong Kong but also other leading markets such as Taiwan, Singapore, Malaysia, Australia and New Zealand. The Group positions itself as the leader and the most innovative mobile service provider in the region. The 3G services are not limited into video on demand services, and the Group is now deploying in video broadcasting, interactive video gaming services with operators. 3G subscribers are proven to be high-end customers, who have the highest Average Revenue Per User (ARPU) level and heavy users of the services provided by the Group. Due to the competitive market, more operators are considering to outsource their existing products and services to third parties. The Group has benefited by this trend and has won several outsourcing projects from operators.

By planning to be a leader in 3G services provisioning, the Group continues to strengthen its core business in 2.5G but reduces its dependence in 2G. During the first half of the year 2006, the group has expanded its activities in Australia and China considerably. The Group a a major provider of Java games in Australia and plan to strengthen our position in Singapore, Malaysia, and Vietnam. Those services include Entertainment, Lifestyle & Leisure, Dining, Movie, Cartoon, Comedy, Fortune Telling, and etc. The Group in PRC has won a significant outsourcing project with China Mobile for its service integration and development of multimedia mobile services. In addition, the Group continues to deploy video services with 2.75G operators such as Peoples and CSL via EDGE in Hong Kong, China and Taiwan. The Group expects its 2.75G technology and services which can be extended into other new potential market. The Group has very strong position especially in the Sport & Entertainment Services for mobile users across the region through key partnerships with the leading global news agencies.

Prospect

The Group will start to provide the leading operators in Australia, China, India, Hong Kong, Singapore, Sri Lanka, Malaysia and Vietnam with the quality sport data services through various platforms, i.e. SMS, WAP, MMS, JAVA etc. These sport data services include the English Premier League as well as all the other major soccer leagues from Europe.

For Australia, China, Hong Kong, Singapore and Taiwan markets, the Group believes 3G will become the mainstream services in the near future and the Group will develop applications and create more services with the 3G operators to bring 3G technologies to the business and the consumer markets. The Group brings to the telecom operators with a broad frontier of new businesses and entertainment services based on our extensive experience in mobile data services provisioning since 1999. The Group's newly developed services include video messaging with the subscribers easily downloading clips from films, music, sports and information services channels. In addition, the Group shall deploy more Interactive gaming services and video broadcasting services in order to enhance the user behaviours on the mobile phone. The Group has recently signed up with more content partners including established brands such as Getty Images and the world's leading gaming companies. The Group believes our extensive experience in mobile video services with the best position to capture more business opportunities especially in the PRC market.

For the existing markets, Australia, China, Hong Kong, Singapore, Malaysia and Taiwan continue to be the Group's most important markets what it comes to the growth potential and existing business relationship. The Group shall continue to work with operators in outsourcing projects in order to maintain steady revenue on a recurrent basis. Although the manpower cost is relatively high in Hong Kong, the Group benefits from further outsource lower requirement projects to its associate company in the PRC. In addition, the Group believes its business model can be extended into other new market such as Vietnam, Indonesia or any other new potential markets for business cooperation.

The Group is also scaling its business to serve the various brands to mobilize their content and brands from more traditional media platforms. The Group has also won a major outsourcing deal in Australia, where Australian's leading operator is outsourcing the whole Java game operation to be handled by MTel's subsidiary company Mobilemode. The Group shall introduce the outsourcing service with other operators and will continue driving revenues in our outsourcing services to the Group. The outsourcing business is not limited into Java Games and it will extend into other type of business which including various download business, video production or encoding, service hosting, on-going maintenance and monitoring services, etc.

At present, the Group covers a total of almost 45 telecom operators and portals in 13 markets in the Asia Pacific region. This number is expected to increase steadily into the regions such as Korea, Indonesia, the Philippines, Thailand and Vietnam. The scale in terms of contents' quantity and quality remains the Group's strongest differentiation point from our main competitors in the region.

Liquidity and financial resources

As at 31 March 2006, the Group had net current assets of approximately HK$12,642,000 (2005: HK$12,897,000), of which approximately HK$14,068,000 (2005: HK$20,437,000) were bank balances and cash. The Group's other current assets recorded at 31 March 2006 mainly comprised approximately HK$6,026,000 in account receivable, other receivable, deposit and prepayment, showing an increase of 114% when compared with corresponding period in 2005, mainly as a result of trade receivable from customers in Australia.

Current liabilities of the Group decreased by 28% and amounted to HK$7,452,000 as at 31 March 2006, mainly as a result that HK$4,200,000 convertible notes were converted and redeemed during the year.

The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

Gearing ratio

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.42 as at 31 March 2006 (As restated 2005: 0.67). Decrease in gearing ratio was due to the conversion of HK$2,400,000 convertible notes into 30,769,230 ordinary shares by Vodatel Information Limited and redemption of convertible notes of HK$1,800,000 by Go Capital Limited on 15 March 2006.

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

30,769,230 ordinary shares were issued to Vodatel Information Limited as a result of conversion of HK$2,400,000 convertible notes at HK$0.078 each on 9 May 2005 and 8 August 2005.

HK$ 1,800,000 convertible notes was redeemed by Go Capital Limited on 15 March 2006.

Material acquisition and disposal

During the year, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

Charges on the group's assets

As at 31 March 2006, the Group did not have any charges on the Group's assets.

Contingent liabilities

As at 31 March 2006, the Group did not have any contingent liabilities.

Employee information

As at 31 March 2006, the Group had a total of 20 employees in Hong Kong and Australia. 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$6,706,000 for the year ended 31 March 2006 (2005: HK$6,832,000). 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 2006

Business objectives as set out in the Prospectus from the Listing Date to 31 March 2006		**Actual business progress from the Listing Date to 31 March 2006**
1. Enhancement and development of mobile data products and solutions		
MobileSurf	— To further enhance MobileSurf by adding new multimedia components	The Group continuously deploying its MobileSurf services under local operator's portal and other mobile infrastructure, such as WLAN
GloDAN	— Continue to enhance multimedia content support of GloDAN and further improve operation performance of GloDAN	The Group building CMS for fast deploy content to GloDan presence
Secure wireless communication channel	— Continue to enhance the quality and performance of wireless communication channel	Continue to enhance the quality and performance of wireless communication channel
Wireless multimedia content manager	— Continue to enhance the 2nd generation wireless multimedia content manager	Continue to enhance the 2nd generation wireless multimedia content manager
Remote monitoring and controlling system	— Continue to enhance the system performance	The Group deployed SMS and E-mail alert features in the monitoring and controlling system
Mobile office	— Develop the 3rd generation of the mobile office	The Group has continuously developed its 3rd generation of mobile office
i-building	— Develop the 2nd generation of i-building system	The Group has continuously developed its 2nd generation i-building system

Business objectives as set out in the Prospectus from the Listing Date to 31 March 2006		Actual business progress from the Listing Date to 31 March 2006
2. Upgrading R&D facilities	— Acquire 2 additional workstations and servers for research and development purpose	No additional server invested
3. Forming strategic alliances and joint ventures with and investing in telecommunication-related companies	— Continue to form strategic alliances with mobile telecommunication operators, hardware manufacturers, information technology 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 3 Hong Kong to successfully launch several new 3G Applications
4. Establishment of sales and technical support offices in the PRC	— Start planning on setting up office in Tianjin, the PRC	The Group has formed a JV to work with various service providers in the PRC.
	— Start feasibility study on setting up office in Hebei, the PRC	The Group has formed a JV to work with various service providers in the PRC.
5. Expansion of sales and marketing network	— Continue to jointly participate in various seminars and roadshows with business partners	The Group actively participated in various seminars and roadshows with business partners.
	— Continue to participate in/coordinate various seminars, exhibitions and tradeshows to promote and introduce the Group's existing and new services products	The Group participated in various seminars Including 3G launch by Hutchison 3HK as well as other exhibitions and events including with the HK Productivity Council on promotion of mobile technology and IT education.

Business objectives as set out in the Prospectus from the Listing Date to 31 March 2006	Actual business progress from the Listing Date to 31 March 2006
— Continue to expand sales and distribution network by partnering with telecommunication companies in different regions	The Group expanded its business to Indonesia and has opened new sales channels in Australia, Europe, South Africa, Singapore, Indonesia and Taiwan. The Group plans to open an office in Australia
— Participate in international IT exhibition and tradeshow to gain the Group's worldwide recognition	The Group participated in various seminars Including 3G launch by Hutchison 3HK as well as other exhibitions and events including with the HK Productivity Council on promotion of mobile technology and IT education.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares since the date of listing.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

BOARD PRACTICES AND PROCEDURES

Throughout the year, the Company has complied with the minimum standards of good practice concerning the general management responsibilities of the board as set out in Rules 5.34 to 5.45 of the GEM Listing Rules.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices set out in Appendix 15 of the GEM Listing Rules ("Code") takes effect from 1 January 2005. The Company is committed to maintain a high stand of corporate governance. To maintain a good and solid framework of corporate governance will ensure the Company to run its business in the best interests of the shareholders. Throughout the financial year under review, the Company has complied with the Code.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members comprising all independent non-executive directors namely Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Mr Chen Kwok Wang. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. During the year, the audit committee has met four times to review the Company's financial reporting process. The Company's annual results for the year ended 31 March 2006 have been reviewed by the audit committee of the Company.

By order of the Board
Chan Chung
Chairman

Hong Kong, 29 May 2006

As at the date of this announcement, the Board comprises of two executive directors namely Dr. Chan Chung (Chairman) and Mr. Chan Wai Kwong, Peter; one non-executive director namely Mr. Goh Yu Min; and three independent non-executive directors namely Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai and Mr. Chen Kwok Wang.

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