M Tel

Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8266)

Annual Report 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

The 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.

CONTENTS

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. Chu Chin Tai, Eric
Mr. Chen Kwok Wang, Kester

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Room 3401, China Resources Building
26 Harbour Road
Wan Chai
Hong Kong

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT
Mr. Fok Chi Tak, Eric, *CPA, ACA, ACCA*

COMPLIANCE OFFICER
Mr. Chan Wai Kwong, Peter

AUDIT COMMITTEE
Mr. Jeffery Matthew Bistrong
Mr. Chu Chin Tai, Eric
Mr. Chen Kwok Wang, Kester

AUTHORISED REPRESENTATIVES
Dr. Chan Chung
Mr. Chan Wai Kwong, Peter

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
46th Floor, 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

For the financial year of 2005/06, the Group recorded turnover is HK$20,982,000 million which is approximately same as the last financial year. Loss attributable to shareholders of the Group was recorded of HK$1,261,000 which representing 67% decrease when compared of that with the same period in 2005. Gross margin has improved from approximately 36% to 42% when compared with the same period in 2005. 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.

OVERVIEW

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.

Chairman's Statement

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 is 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.

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, 29 May 2006

Management Discussion and Analysis

BUSINESS REVIEW

Financial Performance

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.

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 40.2% and 39.4% (2005 Hong Kong/ Macau: 32.7%, Australia: 43.7% respectively of the Group's turnover, while Malaysia, Singapore and Taiwan generated approximately 0.8%, 8.1% and 6.0% respectively (2005 Malaysia: 4.1%, Singapore: 7.7% and Taiwan: 5.7%).

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 May 2005, the Group has launched the Mobile TV with Hutchison that the mobile users can browse the content around the clock with the same experience as TV broadcasting program on mobile phone.

In Oct 2005, the Group has launched the mobile bidding service with eBay, worldwide online bidding platform and now available on mobile phone in Hong Kong and Singapore. Sellers and buyers alike will enjoy the ability to search, browse, bid, and monitor active auction items directly on their mobile device as WAP service from anywhere. The search feature is capable for local and global products. In Jan 2006, the Group has launched the Discovery Mobile with CSL Hong Kong. Discovery Channel is well branded content combining with Animal Planet, Travel Channel, Discovery Health that total with 6 TV channels in broadcasting media.

In March 2006, the Group has extended the feature with the cooperation of Cinema, which enable the real-time seating plan about the films at their local multiplex via on mobile phone.

Research and Development

1. CMS (Content Management System)

The group deploying its unique CMS for enhancing the operational efficiency and speeding up the content deployment from central CMS system to multiple local CMS system. It has significantly increased the speed and quality of services launching with regional operators.

Sales and Marketing Activities

The Group has generated most of its revenue from year recurring and outsourcing business with telecommunication operators over the past years. The Group has expanded its business into 3G services with Hutchison 3 Hong Kong and other video services in 2.5G and 2.75G networks. In addition, the Group is now deploying more value-added services with operators' sales channels in Australia, New Zealand, Singapore, Thailand and Taiwan. The Group has a new office in Australia and China with our sales network now covers 13 markets across the South East Asian region with almost 45 telecommunication operators. In Hong Kong and Taiwan, the Group operates with all the local telecommunication players and negotiates with more outsourcing business in order to benefits both parties. 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 third party content even further to maximize revenues and maximize the potential of the Group's service delivery engine that is connected to the operator infrastructure.

The Group co-operated with Hutchison 3 Hong Kong to successfully launch more than 30 multimedia services since Feb 2004. The Group further extended applications into two areas: 1) deploying the interactive features on our Mobilesurf platform; and 2) providing an user-friendly interface of connecting with a variety of branded content that centralizing its Mobilesurf platform as a major hub between network operators and content providers across Asia Pacific region.

The Group plans to deploy more mobile marketing associated with our existing value-added services for 2.5G & 3G that without a single click, all marketing or promotion message will be real time pushed on the mobile phone via streaming technology. In addition, the Group plans to explore more opportunities in mobile broadcasting channel that will help operators to stimulate the usage of video airtime and user driven video advertisement.

The Group is also focusing on the various carefully selected customer segments in its markets. These segments include the youth 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

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

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
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
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

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
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.
	— 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.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Dr. Chan Chung, aged 49, is a founder, an executive Director and the chairman 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 52, 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 40, 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 Ptd 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 43, 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. Chu Chin Tai, Eric aged 39, was appointed as an independent non-executive Director in March 2006. Mr. Chu was a deputy general manager of a data network and VoIP network provider and is currently an independent marketing consultant in Beijing. Mr. Chu graduated with a bachelor degree in electrical engineering from University of California, San Diego in 1990.

Mr. Chen Kwok Wang, Kester aged 43, was appointed as an independent non-executive Director in March 2006. Mr Chen is a qualified solicitor in Hong Kong with current practice in general commercial matters. He is also a qualified accountant and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chen graduated with a master degree of business administration from the University of Hong Kong.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Jarno Salmivuori, aged 31, 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 Ltd 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 30, is the Qualified Accountant and Company Secretary of the Group. Mr. Fok joined the Group in March 2003. Mr Fok is responsible for managing the overall financial systems and internal control of the Group. Mr. Fok received an honor degree in accounting and finance from Oxford Brookes University, United Kingdom. Mr. Fok is an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants of England and Wales and the Association of Chartered Certified Accountants.

Mr. Wong Ming Wai, aged 30, the Vice President of business development of the Group. Mr. Wong joined the Group in November 2002. 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 29, the Vice President of customer services of the Group. Mr. Tsang joined the Group since its inception 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.

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 March 2006.

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 15 to the financial statements. 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 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 32.

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 22 to the financial statements.

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 14 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 20 to the financial statements.

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.

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 2006, 31 March 2005, 31 March of 2004, 2003 and 2002 is set out on page 82.

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 2006 are set out as below:

		Number of share options								
Name	Date of grant	Outstanding as at 1 April 2005	Granted during the year under review	Exercised during the year under review	Lapsed during the year under review	Outstanding as at 31 March 2006	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option *HK$*	Exercise price per Share *HK$*
Executive Directors										
Dr. Chan Chung	27 March 2003	300,000	–	–	–	300,000	0.063%	9 May 2003 – 8 May 2013	1.00	0.103
Mr. Chan Wai Kwong, Peter	27 March 2003	100,000	–	–	–	100,000	0.021%	9 May 2003 – 8 May 2013	1.00	0.103
Other Participants										
Employees in aggregate *(Note)*	27 March 2003	1,830,000	–	–	–	1,830,000	0.387%	9 May 2003 – 8 May 2013	1.00	0.103
Business Consultant										
Mr. Young Antony, Michael	27 March 2003	300,000	–	–	–	300,000	0.063%	9 May 2003 – 8 May 2013	1.00	0.114
		2,530,000	–	–	–	2,530,000	0.534%			

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).

SHARE OPTIONS RULES *(Continued)*

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

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 0.534% 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.

(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 supplies, 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.

SHARE OPTIONS RULES *(Continued)*

(ii) Share option scheme *(Continued)*

(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).

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,

SHARE OPTIONS RULES *(Continued)*

(ii) Share option scheme *(Continued)*

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

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 2006.

(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

Independent Non-Executive Directors

Mr. Jeffery Matthew Bistrong	
Mr. Chu Chin Tai, Eric	(appointed on 06 March 2006)
Mr. Chen Kwok Wang, Kester	(appointed on 31 March 2006)
Mr. Charles George St. John Reed	(resigned on 18 March 2006)
Mr. Ko Tak Fai, Desmond	(resigned on 3 April 2006)

In accordance with Article 86(3) of the Company's Articles and Association, Mr. Chu Chin Tai, Eric and Mr. Chen Kwok Wang, Kester will hold office only until 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 10a and 10b to the financial statements, 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.

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.

The non-executive director, Mr. Goh Yu Min, each of the independent non-executive directors, Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Eric and Mr. Chen Kwok Wang, Kester has entered into a service agreement with the Company for an initial term of two years commencing from 27 March 2003, 27 March 2003, 06 March 2006, 31 March 2006, 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.

DIRECTORS' SERVICE CONTRACTS *(Continued)*

Save as disclosed above, none of the Directors has entered into any service contract or has an unexpired service contract with the Company which 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 12 to 13.

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

As at 31 March 2006, 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	37.3%
Mr. Chan Wai Kwong, Peter	Beneficial owner	4,064,036	0.9%
		180,233,897	38.2%

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.

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	Exercise price per share
						HK$	*HK$*
Dr. Chan Chung *(Note)*	Beneficial owner	27 March 2003	300,000	0.063%	9 May 2003 — 8 May 2013	1.00	0.103
Mr. Chan Wai Kwong, Peter *(Note)*	Beneficial owner	27 March 2003	100,000	0.021%	9 May 2003 — 8 May 2013	1.00	0.103
			400,000	0.084%			

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 announcement, 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.

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

The register of Substantial Shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 March 2006, the Company has been notified of the following Substantial Shareholders' interests and short positions, being 5% or more of the issued share capital of the Company.

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	37.3%
Dr. Chan Chung	*(Note 1)*	176,169,861	37.3%
Vodatel Information Limited	Beneficial owner	94,573,696	20.0%
Vodatel Networks Holdings Limited ("Vodatel")	*(Note 2)*	94,573,696	20.0%
Go Capital Limited	Beneficial owner	31,902,233	6.7%
Culturecom Holdings Limited ("Culturecom")	*(Note 3)*	31,902,233	6.7%
OUB.com Pte Ltd	Beneficial owner	27,295,584	5.8%
United Overseas Bank Limited ("UOB")	*(Note 4)*	27,295,584	5.8%
			69.8%

Notes:

1. Silicon, a company incorporated in the British Virgin Islands, is an investment holding company. Silicon in 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.

2. Vodatel is deemed, by virtue of the SFO, to be interested in the 94,573,696 Shares held by Vodatel Information Limited as Vodatel Information Limited is a direct wholly-owned subsidiary of VDT Mobile 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 94,573,696 Shares 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 December 2005, Mr. Jose Manuel dos Santos and LRL were both interested or deemed to be interested in more than one-third of the then issued share capital of Vodatel.

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)

3. Culturecom is deemed, by virtue of SFO, to be interested in the 31,902,233 Shares 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 31,902,233 Shares 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 30 September 2005, no person was interested or deemed to be interested in more than one-third of the then issued share capital of Culturecom.

4. UOB is deemed, by virtue of the SFO, to be interested in the 27,295,584 Shares held by OUB.com Pte Ltd as OUB.com Pte Ltd is a direct wholly-owned subsidiary of UOB. UOB is a company incorporated in Singapore, the shares of which are listed on Singapore Stock Exchange Securities Trading Limited. 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 UOB or in accordance with whose directions or instructions UOB or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which UOB is interested under the SFO will be deemed to be interested in the 27,295,584 Shares which UOB will be deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in UOB can be found in the information published by UOB from time to time and from the website of Singapore Stock Exchange Securities Trading Limited at www.sgx.com. According to the latest annual report of UOB, as at 31 December 2005, no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.

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)*

Name	Capacity	Amount of convertible notes of the Company issued	Number of underlying Shares *(Note 2)*	Approximate percentage of issued share capital
Vodatel Information Limited	Beneficial owner	HK$400,000	5,128,205	1.1%
Vodatel	*(Note 2)*	HK$400,000	5,128,205	1.1%
				1.1%

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. 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. On 15 March 2006, the Company redeemed HK$1,800,000 convertible notes from Go Capital Limited. On 31 March 2006 and 25 May 2006, the Company redeemed the remaining balance HK$800,000 of convertible notes from Vodatel Information Limited.

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 VDT Mobile 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 December 2005, Mr. Jose Manuel dos Santos and LRL were both interested or deemed to be interested in more than one-third of the then issued share capital of Vodatel.

3. This assumes full conversion of the convertible notes at HK$0.078 per Share based on the total number of 472,811,363 Shares in issue as at the date of this report. The conversion price of the convertible notes may change from time to time.

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	34%
— five largest suppliers combined	80%
Sales	
— the largest customer	25%
— five largest customers combined	73%

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.

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.

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.

AUDITORS

A resolution will be submitted to the annual general meeting of the Company to re-appoint Ting Ho Kwan & Chan as auditors.

On behalf of the Board

Chan Chung
Chairman

Hong Kong, 29 May 2006

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standard of corporate governance practices that enhancing greater transparency and quality of disclosure as well as more effective internal control.

The Company has complied with the Code on Corporate Governance Practice (the "Code") except code provision A2.1 and A4.2, as set out in Appendix 15 of the GEM Listing Rules for the year ended 31 March 2006. The following summarizes the corporate governance practices of the Company and the explain deviations, if any, from the Code.

Directors' securities transactions

The Company has adopted the code of conduct regarding directors' securities transactions on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2006.

Board of Directors and Board Meeting

The Board of Directors (the "Board") of the Company is comprises six directors, including the Chairman who is an Executive Director, one additional Executive Director, one Non-executive Director and three Independent Non-executive Directors. One of Independent Non-executive Director is a qualified accountant who has appropriate accounting or related financial management expertise. The Company complies at all times during the year under review with the minimum requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors and one of which should have appropriate professional qualifications or accounting or related financial management expertise. Their biographies are set out in the Biographical Details of Directors and Senior Management Section on Page 12 to 13 of the Annual Report.

The Board is responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group. Key and important decisions shall be fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the notice of board meeting. Matters requiring the Board's approval include review of overall policies, corporate plan of the Company, investment plans which would involve significant risks for the Company, major organization changes, significant sales, transfers, or other dispositions of property or assets, approval of the annual report, interim report, quarterly report and approval of interim dividend and recommendation of the final dividend, other matters relating to the Company's business which in the judgment of the Executive Directors are of such significance as to merit the Board's consideration.

Each of the Independent Non-executive Directors has made an annual confirmation of independent pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM listing Rules and are independent in accordance with terms of the guidelines.

Code Provision A4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Pursuant to the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the chairman of the Board and/or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year.

Seven meetings were held during the year. The attendance record of each Director is as follows:

Executive Directors		
Dr Chan Chung *(Chairman)*		7/7
Mr Chan Wai Kwong, Peter		6/7
Non Executive Directors		
Mr. Goh Yu Min		4/7
Independent Non-executive Directors		
Mr. Jeffery Matthew Bistrong		3/7
Mr. Charles George St. John Reed	(resigned on 18 March 2006)	4/7
Mr. Ko Tak Fai, Desmond	(resigned on 3 April 2006)	4/7
Mr. Chu Chi Tai, Eric	(appointed on 6 March 2006)	1/1 *
Mr. Chen Kwok Wang, Kester	(appointed on 31 March 2006)	0/0 **

* Only one board meeting was held after the appointment of Mr. Chu Chi Tai, Eric as an Independent non-executive director.

** No board meeting was held after the appointment of Mr. Chen Kwok Wang, Kester as an Independent non-executive director.

The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Articles of Association of the Company. The Company Secretary ensures that the procedure and all applicable rules and regulations are strictly and fully complied with. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and are available for inspection at any reasonable time on reasonable notice by any Directors.

Chairman and Chief executive officer

The chairman is responsible for management of the Board and strategic planning of the Group, ensure that the Board works effectively and discharges its responsibilities, encourage all directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interests of the Company and the Group. The role of chief executive officer is responsible to undertake the day-to-day management of the Company's business.

Code Provision A2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. With the relatively small size of the Group, the executive directors and the senior management staff can adequately undertake all the day-to-day business decisions without the official appointment of a chief executive officer. The Board believes that the balance of power and authority is adequately ensured under the existing arrangement especially with the operations of the Board comprising one half of board members from independent non-executive directors.

Accountability and Audit

The Board acknowledged their responsibility for preparing the financial statements of the Group. The Directors ensured in preparing of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Report of the Auditor.

Auditors' Remuneration

For the year ended 31 March 2006, approximately HK$250,000 is payable to Ting Ho Kwan & Chan CPA, auditors of the Company for audit service. No non-audit service was provided by the auditors in 2006.

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, four meeting of the audit committee have been held with the following attendances:

Committee members:

Mr. Jeffery Matthew Bistrong		3/4
Mr. Charles George St. John Reed	(resigned on 18 March 2006)	4/4
Mr. Ko Tak Fai, Desmond	(resigned on 3 April 2006)	3/4
Mr. Chu Chin Tai, Eric	(appointed on 6 March 2006)	0/0 *
Mr. Chen Kwok Wang, Kester	(appointed on 31 March 2006)	0/0 *

* No audit committee meeting was held after the appointment of Mr. Chu Chin Tai, Eric & Mr. Chen Kwok Wang, Kester as an Independent non-executive director.

Nomination of the Director

The Board is responsible for considering the suitability of a candidate to act as director, and approving and termination the appointment of a director. The Board of Directors is mainly responsible for identifying suitable candidates for the Board when there is a vacancy or an additional director is considered necessary. The chairman of the Board will propose the appointment of such candidates to the Board for consideration and the Board will review the qualifications of the relevant candidates for determining the suitability of the Group on the basis of his/her qualifications, experience and background. The decision of appointing a director must be approved by the Board. Any newly appointed director by the Board shall hold office only until the next following annual general meeting of the Company and shall then by eligible for re-election at that meeting.

Remuneration Committee

The remuneration committee of the Company was established in May 2005. It comprises the chairman and all independent non-executive directors. The remuneration committee performs its function, which is to assist the Board in the overall management of the remuneration practice of the Group to ensure that effective policies, processes and practices are implemented in respect of the incentives for the Directors and senior management. One meeting of the remuneration committee has been held during the year. All members of the remuneration committee attended the meeting.

Internal Control

The Board has overall responsibilities for maintaining a proper and effective system of internal control of the Group. The internal control system includes safeguard of assets against unauthorized use, defined management structure with specified limits of authority, ensure maintenance of proper accounting records for internal use or for publication and ensure compliance with relevant legislation and regulations.

AUDITORS' REPORT

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

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

香港德輔道中249－253號
東寧大廈9字樓

TO THE SHAREHOLDERS OF MOBILE TELECOM NETWORK (HOLDINGS) LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 32 to 81 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 financial statements which give a true and fair view. In preparing financial statements 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 the 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 financial statements 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 Hong Kong Standards on Auditing 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2006 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 (practising)

Hong Kong, 29 May 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2006

	Notes	2006 HK$'000	(As restated) 2005 HK$'000
Turnover	6	**20,982**	20,950
Other income	6	**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	7	**(1,023)**	(3,583)
Finance costs	8	**(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	11	**(224)**	—
Loss for the year		**(1,261)**	(3,853)
Attributable to:			
Equity holders of the Company	12	**(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	13	**0.28 cent**	0.94 cent

The notes on pages 38 to 81 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2006

	Notes	2006 HK$'000	(As restated) 2005 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**192**	96
Interest in an associate	16	**5,715**	5,368
Interest in a jointly controlled entity	17	**37**	—
		5,944	5,464
Current assets			
Trade and other receivables	18	**6,026**	2,810
Cash and cash equivalents	19	**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	20	**36,930**	34,530
Reserves	22	**(18,981)**	(17,687)
		17,949	16,843
Minority interests		**637**	557
Total equity		**18,586**	17,400
LIABILITIES			
Non-current liabilities			
Convertible notes	23	**—**	961
Current liabilities			
Trade and other payables	24	**6,828**	6,355
Convertible notes	23	**400**	3,995
Current tax liabilities		**224**	—
		7,452	10,350

CONSOLIDATED BALANCE SHEET

At 31 March 2006

			(As restated)
		2006	2005
	Notes	***HK$'000***	*HK$'000*
Total liabilities		**7,452**	11,311
Total equity and liabilities		**26,038**	28,711
Net current assets		**12,642**	12,897
Total assets less current liabilities		**18,586**	18,361

These consolidated financial statements were approved and authorised for issue by the Board of directors on 29 May 2006.

Chan Chung	**Chan Wai Kwong, Peter**
Chairman	*Director*

The notes on pages 38 to 81 are an integral part of these consolidated financial statements.

BALANCE SHEET

At 31 March 2006

	Notes	2006 HK$'000	(As restated) 2005 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	15	**19,786**	24,381
Current assets			
Prepayment		**138**	142
Cash and cash equivalents	19	**59**	10
		197	152
Total assets		**19,983**	24,533
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	20	**36,930**	34,530
Reserves	22	**(18,546)**	(15,698)
Total equity		**18,384**	18,832
LIABILITIES			
Non-current liabilities			
Convertible notes	23	**—**	961
Current liabilities			
Other payables	24	**1,199**	745
Convertible notes	23	**400**	3,995
		1,599	4,740
Total liabilities		**1,599**	5,701
Total equity and liabilities		**19,983**	24,533

These financial statements were approved and authorised for issue by the Board of directors on 29 May 2006.

Chan Chung
Chairman

Chan Wai Kwong, Peter
Director

The notes on pages 38 to 81 are an integral part of these financial statements.

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
	Notes	*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	*2(a)*	—	—	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	*22(a), 23*	2,400	261	(261)	—	—	2,400
Redemption of convertible notes	*22(a)*	—	—	(240)	240	—	—
Acquisition of a subsidiary	*26(a)*	—	—	—	—	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

The notes on pages 38 to 81 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2006

	Notes	2006 HK$'000	(As restated) 2005 HK$'000
Cash flows from operating activities			
Loss before taxation		**(1,037)**	(3,853)
Adjustments for:			
Depreciation of property, plant and equipment	*14*	**148**	269
Negative goodwill released	*6*	**(28)**	—
Interest income	*6*	**(325)**	(13)
Interest expenses	*8*	**74**	237
Share of (profit)/loss of an associate		**(64)**	33
Share of loss of a jointly controlled entity		**4**	—
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):			
Trade and other receivables		**(3,191)**	392
Trade and other payables		**62**	1,615
Cash used in operating activities		**(4,357)**	(1,320)
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	*26 (a)*	**59**	—
Acquisition of investment in an associate		**—**	(5,326)
Investment in a jointly controlled entity		**(5)**	—
Net increase in amount due from an associate	*16*	**(283)**	(75)
Net increase in amount due from a jointly controlled entity	*17*	**(36)**	—
Purchase of property, plant and equipment	*14*	**(240)**	(17)
Interest received		**325**	13
Net cash used in investing activities		**(180)**	(5,405)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	*20*	**—**	210
Payment for convertible notes	*2(a), 23*	**(1,800)**	—
Interest paid		**(32)**	(50)
Net cash (used in)/generated from financing activities		**(1,832)**	160
Net decrease in cash and cash equivalents		**(6,369)**	(6,565)
Cash and cash equivalents at beginning of the year		**20,437**	27,002
Cash and cash equivalents at the end of the year	*19*	**14,068**	20,437

The notes on pages 38 to 81 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Mobile Telecom Network (Holdings) Limited (the "Company") and its subsidiaries (together 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.

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. The address of its registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, Cayman Islands, British West Indies. The principal place of business is Room 3401, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

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.

These consolidated financial statements are presented in thousands of units of HK dollars (HK$'000) unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of new/revised HKFRS *(Continued)*

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of new/revised HKFRS *(Continued)*

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Basis of preparation *(Continued)*

The adoption of new/revised HKFRS *(Continued)*

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March.

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Consolidation *(Continued)*

(ii) Associates

Associates are all entities, not being a subsidiary or a jointly controlled entity, over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition results is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(iii) Jointly controlled entities

A jointly controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly controlled entity.

The Group's share of the post-acquisition results of jointly controlled entities is included in the consolidated income statement. The Group's interests in jointly controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any accumulated impairment losses.

(c) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign current translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values (if, there are any) over their estimated useful lives, as follows:

Computer hardware and software	1-3 years
Leasehold improvements	2-5 years (lease term)
Furniture and fixtures	3-5 years
Office equipment	3-5 years

The assets' residual values (if any) and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the income statement in the period the item is derecognised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount *(Note 2(g))*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and jointly controlled entities is included in investments in associates and jointly controlled entities respectively. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Research and development expenses

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible, and the products have commercial value. Product development expenditure which does not meet this criteria is expensed when incurred.

All research and development expenses incurred during the year ended 31 March 2006 were expensed as no expenditure met the criteria for deferral.

(g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(j) Trade and other payables

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount.

(k) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(l) Convertible notes

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders equity.

Convertible notes are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Convertible notes which are due before balance sheet date are reclassified as current liabilities included in other payables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax 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 consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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 tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(n) Employee benefits

(i) Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

(ii) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme in Hong Kong (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Employee benefits *(Continued)*

(ii) Pension obligations *(Continued)*

Retirement benefits for employees in other locations are based primarily on local mandatory requirements.

(o) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(p) 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) Service fees from provision of mobile data solutions and related services are recognised when the services are rendered.

(ii) Interest income is recognised on a time-proportion basis using the effective interest. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrants.

(q) Operating lease (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Where the Group is the lessee, payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Related parties

A party is related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

(1) controls, is controlled by, or is under common control with the Group;

(2) has an interest in the Group that gives its significant influence over the Group; or

(3) has joint control over the Group;

(ii) the party is a jointly-controlled entity;

(iii) the party is an associate;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk, liquidity risk and cash flow interest-rate risk. The Group's risk management objectives and policies mainly focus on minimising the potential adverse effects of these risks on the Group by closely monitoring the individual exposure as follows:

(a) Market risk

Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rates relating to investments denominated in foreign currencies. The Group's assets and liabilities are primarily denominated in Hong Kong dollars. When seeking to optimise the returns on its funds available for investment, the Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

(b) Credit risk

The Group's has no significant concentrations of credit risk as the customers of the Group are mainly international telecom operators with good reputation. It has policies in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

(c) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of change in market interest rates. Hence the Group's exposure to cash flow and fair value interest rate risk is minimal.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding and financial supports when needed from other companies within the Group. The Group has maintained a tight treasury controls and the Group's liquidity needs are financed by its working capital.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment losses for bad and doubtful debts

The Group makes provision for impairment of doubtful debts based on a assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimates has been changed.

(b) Income tax and deferred tax

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets recognised to the extent that it is probable that future taxable profit will be available against the temporary differences or tax losses can be utilised. In the current year, deferred tax assets relating to certain temporary differences and tax losses are not recognised in the financial statements. The management considers that there is uncertainty and unpredictability of future profit streams available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred tax assets and income tax charge in the year in which such estimate has been changed.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

5. SEGMENT INFORMATION

Primary reporting format — Business segments

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

5. SEGMENT INFORMATION *(Continued)*

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

5. SEGMENT INFORMATION *(Continued)*

Secondary reporting format — geographical segments *(Continued)*

	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.

6. TURNOVER AND OTHER INCOME

Turnover represents the amounts received and receivable for services provided to customers during the year. An analysis of the Group's turnover and other income is as follows:

	2006 HK$'000	2005 HK$'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 recognised as income *(Note 26(a))*	28	—
Waiver of loan due from a minority shareholder of a subsidiary	553	—
Sundry income	177	155
	1,083	168
	22,065	21,118

7. OPERATING LOSS

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

	2006 HK$'000	2005 HK$'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 *(Note 9)*	6,706	6,832
Net exchange loss/(gain)	1	(178)
Operating lease rentals of premises and facilities	624	596
Bad debts written off	—	411

8. FINANCE COSTS

	2006	(As restated) 2005
	HK$'000	*HK$'000*
Interest on convertible notes *(Note 23)*	**64**	237
Other interest	**10**	—
	74	237

9. STAFF COSTS

	2006	2005
	HK$'000	*HK$'000*
Wages and salaries	**6,440**	6,693
Pension costs — defined contribution scheme	**266**	139
	6,706	6,832

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Group

2006 Name of directors	Directors' fees *HK$'000*	Salaries and allowances *HK$'000*	MPF contributions *HK$'000*	Other emoluments *HK$'000*	Total *HK$'000*
Executive directors:					
Chan Chung	—	1,274	12	464	1,750
Chan Wai Kwong, Peter	—	216	12	—	228
Non-executive director:					
Goh Yu Min	60	—	—	—	60
Independent non-executive directors:					
Jeffery Matthew Bistrong	100	—	—	—	100
Charles George St. John Reed	96	—	—	—	96
Ko Tak Fai, Desmond	84	—	—	—	84
Chu Chin Tai, Eric	6	—	—	—	6
Chen Kwok Wang, Kester	—	—	—	—	—
Total	346	1,490	24	464	2,324

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

Group

2005 Name of directors	Directors' fees *HK$'000*	Salaries and allowances *HK$'000*	MPF contributions *HK$'000*	Other emoluments *HK$'000*	Total *HK$'000*
Executive directors:					
Chan Chung	—	1,274	12	439	1,725
Chan Wai Kwong, Peter	—	330	12	—	342
Non-executive directors:					
Chen Man Lung	39	—	—	—	39
Goh Yu Min	60	—	—	—	60
Monica Maria Nunes	12	—	—	—	12
Independent non-executive directors:					
Jeffery Matthew Bistrong	100	—	—	—	100
Charles George St. John Reed	100	—	—	—	100
Ko Tak Fai, Desmond	43	—	—	—	43
Total	354	1,604	24	439	2,421

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2005: Nil).

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2005: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2005: three) employees during the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Basic salaries, housing allowances, share options, other allowances and benefits in kind	**1,239**	971
Contributions to MPF scheme	**36**	36
	1,275	1,007

The number of the remaining three (2005: three) employees whose emoluments fall within the following band:

	2006	2005
HK$nil to HK$1,000,000	3	3

11. 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.

11. TAXATION *(Continued)*

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 profits (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:

		(As restated)
	2006	2005
	HK$'000	*HK$'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 for the year 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**	—

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$2,848,000 (2005: HK$3,309,000).

13. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

		(As restated)
	2006	2005
	HK$'000	*HK$'000*
Loss attributable to equity holders of the Company	**1,322**	4,167
Weighted average number of ordinary shares in issue	**465,772,375**	441,270,039
Basic loss per share	**0.28 cent**	0.94 cent

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.

14. PROPERTY, PLANT AND EQUIPMENT — GROUP

	Computer hardware and software	Leasehold improvements, furniture and fixtures	Office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 April 2004	7,491	304	238	8,033
Additions	17	—	—	17
At 31 March 2005	7,508	304	238	8,050
Acquisition of a subsidiary	7	—	—	7
Additions	226	—	14	240
At 31 March 2006	7,741	304	252	8,297
Accumulated depreciation				
At 1 April 2004	7,304	203	178	7,685
Depreciation provided for the year	156	74	39	269
At 31 March 2005	7,460	277	217	7,954
Acquisition of a subsidiary	3	—	—	3
Depreciation provided for the year	96	25	27	148
At 31 March 2006	7,559	302	244	8,105
Net book value				
At 31 March 2006	182	2	8	192
At 31 March 2005	48	27	21	96

15. INTERESTS IN SUBSIDIARIES

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

	2006	2005
	HK$'000	*HK$'000*
Unlisted investment, at cost	**24,319**	24,319
Due from subsidiaries *(Note (i))*	**52,635**	59,180
	76,954	83,499
Less: Impairment loss	**57,168**	59,118
	19,786	24,381

Details of the subsidiaries at 31 March 2006 are as follows:

Name	**Place of incorporation**	**Principal activities and place of operation**	**Particulars of issued share capital**	**Interest held**
Directly held:				
Mobile Telecom (BVI) Limited	British Virgin Islands	Investment holding in Hong Kong	100 Ordinary shares of US$1 each	100%
Indirectly held:				
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 10,000,000 non-voting deferred shares of HK$0.01 each *(Note (ii))*	100%
MTel (Singapore) Pte Limited	Singapore	Provision of mobile data solutions and related services in Singapore	30,000 ordinary shares of SG$1 each *(Note (iv))*	100%

15. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Indirectly held: *(Continued)*				
MTel (Taiwan) Limited	British Virgin Islands	Provision of mobile data solutions and related services in Taiwan	100 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%
One Consultancy Limited	Hong Kong	Information technology solution services	10,000 ordinary shares of HK$1 each *(Note (v))*	60%
Mobilemode (Singapore) Pte Limited	Singapore	Provision of mobile complete solutions in Singapore	25,000 ordinary shares of SG$1 each *(Note (iii))*	60%
Mobilemode (Australia) Pty Limited	Australia	Provision of mobile complete solutions in Australia	100 ordinary shares of AU$1 each *(Note (iii))*	60%
Madpulse. com Limited	Hong Kong	Investment holding in Hong Kong	10,000 Ordinary shares of HK$1 each	60%

15. 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$100,000,000,000,000,000 has been distributed by the company to the holders of its ordinary shares.

(iii) Mobilemode (Singapore) Pte Limited & Mobilemode (Australia) Pty Limited were not audited by Ting Ho Kwan & Chan. The aggregate total assets of subsidiaries not audited by Ting Ho Kwan & Chan amounted to approximately 18.55% of the Group's total assets.

(iv) MTel (Singapore) Pte Limited was struck off on 19 April 2006 after the balance sheet date.

(v) During the year, the Group acquired 60% of share capital of "One Consultancy Limited", providing information technology solution services in Hong Kong.

(vi) Interest in the indirectly held and wholly owned subsidiary of M Telecom Corporation was dissolved during the year.

16. INTEREST IN AN ASSOCIATE

	GROUP	
	2006	2005
	HK$'000	*HK$'000*
Share of net assets	**107**	43
Goodwill	**5,250**	5,250
	5,357	5,293
Due from an associate	**358**	75
	5,715	5,368

(a) The amount due from an associate is unsecured, non-interest bearing and has no repayment term.

16. INTEREST IN AN ASSOCIATE *(Continued)*

(b) The Group's interest in its associate, which is unlisted and engaged in development and provision of mobile data solutions and related services in the PRC, was as follows:

Name	Place of registration	Assets	Liabilities	Revenue	Profit	Interest held
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*%*
廣州流之動資訊技術有限公司	PRC	847	579	468	134	40

17. INTEREST IN A JOINTLY CONTROLLED ENTITY

	GROUP	
	2006	2005
	HK$'000	*HK$'000*
Share of net assets	**1**	—
Due from a jointly controlled entity	**36**	—
	37	—

(a) The amount due from a jointly controlled entity is unsecured, interest free and has no fixed terms of repayment.

(b) The following is a condensed summary of financial information of the jointly controlled entities related to the Group's interests:

Income Statement

For the year ended 31 March

	2006	2005
	HK$'000	*HK$'000*
Total revenue	**184**	—
Total expenses	**(188)**	—
Loss for the year	**(4)**	—

17. INTEREST IN A JOINTLY CONTROLLED ENTITY *(Continued)*

(b) *(Continued)*

Balance Sheet
At 31 March

	2006 HK$'000	2005 HK$'000
Current assets	21	—
Current liabilities	(20)	—
Net assets	1	—

Particulars of the jointly controlled entity, which is indirectly held by the Group, are as follows:

Company name	Business structure	Place of incorporation and place of operation	Issued and paid-up capital	Ownership interest attributable to the Group	Percentage of Voting power	Percentage of Profit sharing	Principal activities
M Entertainment Limited	Corporate	Hong Kong	HK$10,000	51	50	51	Media related business

18. TRADE AND OTHER RECEIVABLES

	GROUP 2006 HK$'000	GROUP 2005 HK$'000
Trade receivables	4,320	2,012
Less: Provision for impairment of receivables	(89)	(89)
Trade receivables - net	4,231	1,923
Prepayments, other receivables and deposits	1,795	887
	6,026	2,810

The fair values of trade and other receivables under current assets approximate to their carrying amounts.

18. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	GROUP	
	2006	2005
	HK$'000	*HK$'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

The Group has no impairment loss for its trade receivables (2005: HK$88,673) during the year ended 31 March 2006.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**14,068**	20,437	**59**	10

20. SHARE CAPITAL

		Ordinary shares of US$0.01 each	
		Number of shares	**Nominal value**
	Notes		*HK$'000*
Authorised:			
At 31 March 2005 and 31 March 2006		2,000,000,000	156,000
Issued and fully paid:			
At 1 April 2004		440,000,000	34,320
Issue of shares upon exercise of share options	*(a)*	2,042,133	210
At 31 March 2005		442,042,133	34,530
Issue of shares upon conversion of convertible notes	*(b)*	30,769,230	2,400
At 31 March 2006		472,811,363	36,930

Notes:

(a) 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.

(b) On 9 May 2005 and 8 August 2005, Vodatel Information Limited, has exercised to convert HK$2,400,000 convertible notes for 30,769,230 ordinary shares of HK$0.078 each.

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.

21. SHARE OPTIONS *(Continued)*

(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 0.54% 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 in 2005 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	
	2006	2005
At beginning of year	**2,530,000**	1,780,000
Granted	—	942,500
Lapsed	—	(192,500)
At 31 March	**2,530,000**	2,530,000

No share options were exercised during the year.

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 20(a) to the financial statements.

22. RESERVES

(a) Group

	Share premium HK$'000 (Note (iii))	Capital reserve HK$'000 (Note (i))	Capital redemption reserve HK$'000	Cumulative translation adjustments HK$'000	Convertible notes reserve HK$'000	Accumulated deficits HK$'000	Total HK$'000
Balance at 1 April 2004, as previously reported	35,303	16,375	2,943	531	—	(68,916)	(13,764)
Initial recognition of convertible notes -equity component and interest expense *(Note 23)*	—	—	—	—	545	(314)	231
Balance at 1 April 2004, as restated	35,303	16,375	2,943	531	545	(69,230)	(13,533)
Translation adjustments	—	—	—	13	—		13
Loss for the year	—	—	—	—	—	(4,167)	(4,167)
Balance at 31 March 2005, as restated	35,303	16,375	2,943	544	545	(73,397)	(17,687)
Balance at 1 April 2005, as per above	35,303	16,375	2,943	544	545	(73,397)	(17,687)
Translation adjustments	—	—	—	2	—	—	2
Elimination on winding-up of a subsidiary	—	—	—	26	—		26
Conversion of convertible notes	261	—	—	—	(261)	—	—
Redemption of convertible notes	—	—	—	—	(240)	240	—
Loss for the year	—	—	—	—	—	(1,322)	(1,322)
At 31 March 2006	35,564	16,375	2,943	572	44	(74,479)	(18,981)

22. RESERVES *(Continued)*

(b) Company

	Share premium HK$'000 (Note (iii))	Contributed surplus HK$'000 (Note (ii))	Cumulative redemption reserve HK$'000	Convertible notes reserve HK$'000	Accumulated deficits HK$'000	Totals HK$'000
Balance at 1 April 2004,						
as previously reported	35,303	16,375	2,943	—	(67,241)	(12,620)
Initial recognition of convertible notes -equity component and interest expense *(Note 23)*	—	—	—	545	(314)	231
Balance at 1 April 2004,						
as restated	35,303	16,375	2,943	545	(67,555)	(12,389)
Loss for the year	—	—	—	—	(3,309)	(3,309)
At 31 March 2005,						
as restated	35,303	16,375	2,943	545	(70,864)	(15,698)
Balance at 1 April 2005,						
as per above	35,303	16,375	2,943	545	(70,864)	(15,698)
Conversion of convertible notes	261	—	—	(261)	—	—
Redemption of convertible notes	—	—	—	(240)	240	—
Loss for the year	—	—	—	—	(2,848)	(2,848)
At 31 March 2006	35,564	16,375	2,943	44	(73,472)	(18,546)

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 assets 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.

23. 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, are repayable upon maturity at the end of a three-year period from the date of issue if not converted.

The fair values of the liability component and the equity conversion component were determined at issuance of the notes. The fair value of the liability component was calculated using a market interest rate for an equivalent non-convertible note. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in convertible notes reserve *(Note 22)*.

The convertible notes recognised in the balance sheet at 31 March 2006 and 2005 are calculated as follows:

	GROUP AND COMPANY	
		(As restated)
	2006	2005
	HK$'000	*HK$'000*
Face value of convertible notes at the date of issue	**5,000**	5,000
Equity component *(Note 22)*	**(545)**	(545)
Liability component on initial recognition at the date of issue	**4,455**	4,455
Interest expense *(Note 8)*		
— Opening adjustment	**628**	391
— Current year	**64**	237
Interest paid		
— Opening adjustment	**(127)**	(77)
— Current year	**(22)**	(50)
Conversion of convertible notes	**(2,400)**	—
Redemption of convertible notes	**(1,798)**	—
Reclassification to other payables upon maturity *(Note 24)*	**(400)**	—
Liability component at the end of the year	**400**	4,956

23. CONVERTIBLE NOTES *(Continued)*

The fair value of the liability component of the convertible notes at 31 March 2006 amounted to HK$400,000, which were due on 10 April 2006.

Interest expense on the notes is calculated using the effective interest method by applying the effective interest rate of 5% to the liability component.

The Group's and Company's convertible notes were repayable as follows:

	2006	2005
	HK$'000	*HK$'000*
Within 1 year	**400**	3,995
Between 1 and 2 years	**—**	961
	400	4,956

24. TRADE AND OTHER PAYABLES

(a) Group

	2006	2005
	HK$'000	*HK$'000*
Trade payables	**2,829**	1,818
Accrued expenses	**2,939**	1,755
Other payables *(Note (i))*	**1,048**	2,770
Deposits received	**12**	12
	6,828	6,355

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

24. TRADE AND OTHER PAYABLES *(Continued)*

(b) Company

	2006	2005
	HK$'000	*HK$'000*
Accrued expenses	**401**	467
Other payables *(Note (i))*	**798**	278
	1,199	745

Note:

(i) Amount of HK$400,000 was reclassified from convertible notes to other payables, which bore interest at 1% per annum.

25. DEFERRED TAXATION

Deferred tax assets have not been recognised in respect of the following items:

	GROUP	
	2006	2005
	HK$'000	*HK$'000*
Deductible temporary differences	**1,111**	1,204
Unused tax losses	**70,037**	70,263
	71,148	71,467

Temporary differences arising in connection with interests in associate and jointly controlled entity are insignificant. The deductible temporary differences and unused tax losses do not expire under current tax legislation.

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of a subsidiary

On 15 December 2005, the Group acquired 60% of the share capital of One Consultancy Limited, a company engaged in providing information technology services. The acquired business contributed revenue of HK$147,469 and net profit of HK$39,812 to the Group for the period from 15 December 2005 to 31 March 2006. If the acquisition had occurred on 1 April 2005, Group revenue would have been HK$22,417,000, and loss before allocations would have been HK$1,224,000.

Details of net assets acquired and negative goodwill are as follows:

	HK$
Purchase consideration:	
Cash paid	(1)
Fair value of net assets acquired - Shown as below	28,270
Negative goodwill *(Note 6)*	28,269

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount *HK$*
Cash and cash equivalents	58,969
Property, plant and equipment *(Note 14)*	4,523
Receivables	22,750
Payables	(39,125)
Net assets	47,117
Minority interests (40%)	(18,847)
Net assets acquired	28,270
Purchase consideration settled in cash	(1)
Cash and cash equivalents in subsidiary acquired	58,969
Cash inflow on acquisition	58,968

There were no acquisitions in the year ended 31 March 2005.

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

(b) Major non-cash transactions

On 9 May 2005 and 8 August 2005, Vodatel Information Limited, has exercised to convert HK$2,400,000 convertible notes for 30,769,230 ordinary shares of HK$0.078 each.

27. OPERATING LEASE ARRANGEMENT

As lessee

The Group leases certain of its office properties under operating lease arrangement, with lease negotiated for original terms for three years. None of the leases includes contingent rentals.

At 31 March 2006, the Group had the total future minimum lease payments under various non-cancellable operating leases falling due as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**899**	474
In the second to fifth years, inclusive	**1,609**	—
	2,508	474

28. EMPLOYMENT RETIREMENT BENEFIT

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 Schemes 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.

29. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During the year, the Group had significant transactions with the following related parties, together with balances with them as at the balance sheet date, details of which are as follows:

	2006	2005
	HK$'000	*HK$'000*
Associate:		
Balances due to the Group as at the balance sheet date *(Note (ii))*	**358**	75
Jointly-controlled entity:		
Management fee paid *(Note (i))*	**80**	—
Balances due to the Group as at the balance sheet date *(Note (ii))*	**36**	—

Notes:

(i) The directors of the Group are of the opinion that the above transaction was entered into at terms agreed by both parties.

(ii) The balances are unsecured, interest free and have no fixed repayment terms.

30. COMPARATIVE AMOUNTS

As further explained in note 2(a) to the financial statements, due to the adoption of HKFRS during the current year, the accounting treatment and the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated. In addition, certain comparative amounts have been reclassified to conform to the current year's presentation.

FINANCIAL SUMMARY

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

RESULTS

	2006	(As restated) 2005	2004	2003	2002	From 25 May 2000 (date of incorporation) to 31 March 2001
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**20,982**	20,950	11,534	4,325	1,170	2,381
Loss attributable to shareholders	**1,322**	4,167	8,544	8,750	27,113	23,674

ASSETS AND LIABILITIES

	As at 31 March					
	2006	(As restated) 2005	2004	2003	2002	2001
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**26,038**	28,711	30,552	6,801	12,968	42,280
Total liabilities and minority interests	**(8,089)**	(11,868)	(9,996)	(6,691)	(744)	(3,574)
Shareholders' funds	**17,949**	16,843	20,556	110	12,224	38,706

Notes:

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.

2. Certain comparative figures for the year ended 31 March 2005 have been restated to reflect the adoption of new/revised Hong Kong Financial Reporting Standards. The comparative figures for the four years ended 31 March 2001, 2002, 2003 and 2004 have not been restated as the Directors consider that this would involve undue delay and expense.