THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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This circular, for which the directors (the "Directors") of Mobile Telecom Network (Holdings) Limited collectively and individually accept full responsibility, including particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market ("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 the circular 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 circular herein misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in **Mobile Telecom Network (Holdings) Limited**, you should at once hand this circular and the accompanying proxy form to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8266)

MAJOR TRANSACTION

DISPOSAL OF 60% OF THE ISSUED SHARE CAPITAL OF MOBILEMODE LIMITED

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

4 August 2006

For identification purpose only

CHARACTERISTICS OF GEM

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

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

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

CONTENTS

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meanings:

"AIM"	means the Alternative Investment Market of the London Stock Exchange plc
"Aura Capital Oy"	A Company incorporated in Finland with registered address at Ly 1084325-5 Läntinen Rantakatu 27A4, 20100, Turku, Finland
"Board"	the board of Directors
"Company"	Mobile Telecom Network (Holdings) Limited, a company incorporated in the Cayman Islands and whose shares are listed on GEM
"Completion"	the completion of the sale and purchase of the Sale Shares as set out in the Share Purchase Agreement
"Deposit"	Amount EUR100,000 paid by the purchaser to MTel Limited as deposit and part payment
"Director(s)"	the directors of the Company
"Disposal"	the disposal of the entire ordinary issued shares of the Disposal Company
"Disposal Company"	Mobilemode
"EGM"	the extraordinary general meeting of the Company convened to approve the Disposal
"EUR"	Means Euro, the lawful currency of the member states of the European Union that have adopted the single currency introduced on 1 January 1999 in accordance with the Treaty establishing the European Community, as amended
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	independent third party(ies) not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates and are not connected persons of the Company
"Latest Practicable Date"	Being the latest practicable date prior to the printing of this circular
"MobileSurf"	the communication technology of the Company enabling the provision of data solutions, platforms and mobile data services
"Mobile Telecom (BVI)"	Mobile Telecom (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and which is a direct wholly-owned subsidiary of the Company
"Mobilemode"	Mobilemode Limited, a company incorporated in Hong Kong with limited liability and a direct non-wholly owned subsidiary of the Vendor
"Mobilemode Australia"	Mobilemode (Australia) PTY Limited, a company incorporated in Australia with limited liability and which is a direct wholly-owned subsidiary of the Mobilemode
"Mobilemode Group"	Mobilemode, Mobilemode Australia, Mobilemode Singapore
"Mobilemode Oy"	A Company incorporated in Finland with registered address of Ly 1084325-5 Läntinen Rantakatu 27A4, 20100, Turku, Finland
"Mobilemode Singapore"	Mobilemode (Singapore) PTE Limited, a company incorporated in Singapore with limited liability and which is a direct wholly-owned subsidiary of the Mobilemode
"Mobilestreams"	Mobile Streams Plc, a company incorporated in United Kingdom with limited liability and which listed in AIM, an Independent Third Party
"MTel"	MTel Limited, a company incorporated in Hong Kong with limited liability and which is a direct wholly-owned subsidiary of the Mobile Telecom (BVI)

"PRC"	Public Republic of China
"Purchaser"	Mobile Stream Plc, a company incorporated in United Kingdom with limited liability and which listed in AIM, an Independent Third Party
"Sale Shares"	Means the entire issued ordinary shares of the Disposal Company
"Share Purchase Agreement"	the share purchase agreement dated 13 July 2006 entered into between the Company and the Purchaser pursuant to which, the Company agreed to sell, or procure the sale of, and the Purchaser agreed to purchase the Sale Shares
"Share(s)"	ordinary shares of HK$0.01 each in the existing share capital of the Company
"Shareholder(s)"	the shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transaction"	the sale of the Sale Shares by MTel to the Purchaser
"Vendor"	MTel Limited, the wholly owned subsidiary of Mobile Telecom Network (Holdings) Limited
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

In this circular, the exchange rate of EUR1 to HK$9.8 have been used for reference only.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8266)

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

Non-executive Director:
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
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Cayman Islands
British West Indies

Head office and principal place of business:
Room 3401
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

4 August 2006

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
DISPOSAL OF 60% OF THE ISSUED SHARE CAPITAL OF MOBILEMODE LIMITED

1. INTRODUCTION

Reference is made to the announcement made by the Company dated 18 July 2006 regarding the Disposal. The Board announced that on 13 July 2006 under which the Vendor agreed to sell, and the Purchaser agreed to purchase, the 60% interest of the Disposal Company in respect of the Disposal for a consideration of EUR1,000,000, approximately HKD9,800,000 equivalent, subject to terms and conditions in the Share Purchase Agreement.

For identification purpose only

The Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. Pursuant to Rule 19.44 of the GEM Listing Rules, the Disposal is conditional on, approval by the Shareholders at the EGM or written approval of Shareholders be accepted by the Stock Exchange in lieu of holding the EGM.

A written approval of Silicon Asia Limited ("Silicon") and Vodatel Information Limited ("Vodatel"), being majority Shareholders holding 176,169,861 Shares or approximately 37.26% of the issued share capital of the Company and holding 94,573,696 Shares or approximately 20.01% of the issued share capital of the Company respectively, have been obtained for the approval of the Disposal. As the written shareholders' approval has been obtained from a shareholder or closely allied group of shareholders who together hold more than 50% of the nominal value of the securities giving the right to attend and vote at the general meeting to approve the transaction, a written shareholders' approval was accepted in lieu of holding a general meeting. Therefore, no EGM will be required to be held for approval of the Disposal pursuant to GEM Listing Rules 19.44.

Each of Silicon, Vodatel and its ultimate beneficial owner are not in interest party in the Disposal. Their interests in the transaction are no different from other Shareholders. Therefore, they are not required to abstain from voting if the Company was to convene a general meeting for the approval of the Disposal.

The purpose of this circular is to provide Shareholders with further information on the Disposal and other information in compliance with the requirement of Chapter 19 of the GEM Listing Rules.

2. THE SHARE PURCHASE AGREEMENT

Major terms of the Share Purchase Agreement

Date:

13 July 2006

Vendor:

MTel Limited, a wholly-owned subsidiary of the Company.

Purchaser:

Mobil Streams Plc, a company registered in England and Wales with limited liability, which is a provider of media content to mobile devices.

Asset to be disposed:

60% issued share capital of the Disposal Company.

Consideration:

The consideration for the 60% interests in the Disposal Company shall comprise of EUR1,000,000, payable in cash by the Purchaser in full to the Vendor in the following manner:

— EUR100,000 as deposit and part payment of the total consideration to the Vendor, which should be paid on execution of Share Purchase Agreement; and

— the balance EUR900,000 of the total consideration upon the Completion.

The consideration has been arrived at after arm's length negotiation between the parties thereto having taken into account the audited consolidated net asset value of the Disposal Company as at 31 March 2006 of approximately HK$2,354,000 (after deducting the shareholder's loan from Vendor of approximately HK$780,000). The Directors including independent non-executive directors consider the terms under the Share Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Shareholders as a whole.

Conditions precedent and Completion:

Completion is conditional upon fulfilment of the following conditions:

a. the Share Purchase Agreement and the Disposal being approved by the Shareholders who are required under the Listing Rules to vote at the special general meeting of the Shareholders convened by the Company or written approval of the Shareholders be accepted by the Stock Exchange in lieu of the holding a special general meeting of Shareholders (as the case may be);

b. all waivers, consents or approval of the Stock Exchange in relation to the Disposal and the implementation of the Share Purchase Agreements; and

c. the warranties (as set out in the Share Purchase Agreement) ("Warranties") remaining true and accurate and not misleading at Completion with reference to the facts and circumstances then existing. The Warranties are the representations and warranties as to the truthfulness and accuracy of the matters and issues in relation to the good title of the Sale Shares, the financial, trading and other corporate matters of the Disposal Company.

In the event that the above conditions are not fulfilled before 29 September 2006, or such later date as the Vendor and the Purchaser may agree in writing, the Share Purchase Agreement shall lapse and the Deposit (without interest) shall forthwith be returned to the Purchaser if the Vendor fails to fulfil the above conditions. If the Purchaser shall fail to complete the Share Purchase Agreement (other than due to the default of the Vendor) in accordance with the terms and conditions of the Share Purchase Agreement, the Deposit shall be forfeited to the Vendor.

3. INFORMATION OF THE GROUP AND THE DISPOSAL COMPANY

The Group is principally engaged in the development and provision of mobile data solutions and related services in Hong Kong, People Republic of China, Taiwan, Australia, Singapore and Malaysia. The Group specializes in the development of services such as sporting and infotainment channels, music downloads, picture contents, video streaming, and gaming services. The Group acquired 60% interest of Mobilemode in July 2003. Mobilemode has principally been engaged in the provision of mobile entertainment and information contents to mobile operators in Australia and Singapore. Mobilemode Oy, Aura Capital Oy, Salmivuori, Jarno Kalle Antero and Salmivuori, Norma Marie are the owners of the remaining 40% interest in Mobilemode. They are independent third-parties of the Company. Each of parties agreed to waive of the pre-emption right.

4. FINANCIAL INFORMATION ON DISPOSAL COMPANY AND FINANCIAL EFFECTS OF THE DISPOSAL

The audited consolidated net profit of Mobilemode Group for the financial year ended 31 March 2006 was approximately HK$184,000 and the audited consolidated net profit of Mobilemode Group for the financial year ended 31 March 2005 was approximately HK$836,000. The service agreement with Optus Mobile Pty Ltd ("Optus") for provision of ringtone download was expired at the end of 2004 and has not been renewed. Optus is the major customer of Mobilemode and it contributed more than half of the turnover to Mobilemode Group for the financial year ended 31 March 2005. This event has an adverse impact on Mobilemode's net profit in the second half of 2005.

The audited consolidated net asset value of Mobilemode Group as at 31 March 2006 and 2005 were approximately HK$1.57 million and HK$1.39 million respectively. As at 31 March 2006, the major assets of Mobilemode Group were trade receivables and accrual income of approximately HK$3.24 million and bank balance and cash of approximately HK$2.76 million which in aggregate represented approximately 94% of the audited total assets of the Mobilemode Group. The major liability of Mobilemode Group was accrual and other payable of approximately HK$3.44 million and amount due to shareholders of approximately HK$1.06 million, representing approximately 73% and 22% of the audited total liability of Mobilemode Group as at 31 March 2006.

Upon Completion, the Disposal Company, Mobilemode will cease to be a subsidiary of the Company and none of issued share capital held by the Group in Mobilemode after the Disposal. The Group is expected to record a gain of approximately HK$8,075,000 as a result of the disposal the Disposal Company, which is equal to the difference between the consideration for the Disposal and audited carrying value of the Disposal Company as at 31 March 2006.

5. USE OF PROCEEDS

The consideration for the Share Purchase Agreement will be used as general working capital for the Group and increase flexibility on investment activities in China market. As at the Latest Practicable Date, the Company has no specific investment plan or identified investment target, which will command usage of the proceeds from the Transaction.

6. REASONS FOR AND BENEFIT OF ENTERING INTO THE TRANSACTION

In view of the Company will focus on the fast expanding PRC mobile data market in the near future, the Directors consider that more resources should be reallocated in PRC for the expansion of its business by forming strategic alliances or joint ventures with and investing in telecommunication-related companies. Disposal of Mobilemode can generate positive cash inflow of approximately HK$9.8 million which can sustain the working capital of the Group and enable more potential investment opportunities in PRC.

The Group currently have no intention to change their existing principal activities and business strategy. It is, however, the intention of the Group to continues its efforts in exploring other viable business opportunities to further enhance shareholders value and/or overall business prospect of the Group.

The Disposal is therefore part of the Group's business strategies with a view of enhance its competitiveness and access the fast growing PRC market. The Directors believe that the terms of the Transaction are fair and reasonable and in the interest of the shareholders of the Company as a whole.

7. INFORMATION OF THE PURCHASER

The Purchaser is Mobile Streams Plc, is incorporated in England and Wales and is a listed company in AIM.

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are independent third parties of the Company and are not connected persons (as defined in the GEM Listing Rules) of the Company.

8. GENERAL

The Transaction constitutes a major transaction for the Company under the GEM Listing Rules and is subject to the approval of the shareholders of the Company. A written approval of Silicon Asia Limited ("Silicon") and Vodatel Information Limited ("Vodatel"), being majority Shareholders holding 176,169,861 Shares or approximately 37.26% of the issued share capital of the Company and holding 94,573,696 Shares or approximately 20.01% of the issued share capital of the Company respectively, have been obtained for the approval of the Disposal. Each of Silicon, Vodatel and its ultimate beneficial owner are not in interest party in the Disposal. Their interests in the transaction are no different from other Shareholders. Therefore, they are not required to abstain from voting if the Company was to convene a general meeting for the approval of the Disposal.

As such, pursuant to Rule 19.44 of the GEM Listing Rules, the written approval provided by Silicon and Vodatel constitutes a valid approval of the Disposal and the Company will not be required to convene a physical meeting to approve the Disposal. To the best knowledge, where the Company discloses unpublished price sensitive information to any shareholder in confidence to solicit the written shareholders' approval, no shareholder is deal in the Company's securities before such information has been made available to the public.

Pursuant to Rule 19.45 of the GEM Listing Rules of closely allied group, there has two members in the closely allied group of shareholders which consists of Silicon Asia Limited ("Silicon") and Vodatel Information Limited ("Vodatel").

Dr. Chan Chung, the ultimately beneficial owner of Silicon, the founder and the Chairman of the Company. MobileSurf was initiated by Dr. Chan Chung and transferred to the Company on 14 March 2000. The Company entered into a partnership agreement and co-operation agreement with Vodatel Holding Limited, the initial management shareholder, on 22 May 2002 and 2 August 2002 in relation to develop the market for MobileSurf service in the PRC.

The Company had announcement on 30 March 2004 regarding proposed to acquire not more than 10% interest in the Teleconcept-Multimedia N.V., the Public Limited Company incorporated in the Neverlands ("Target Company"), of which Vodatel, through its indirect wholly-owned subsidiary, conditionally agreed to acquire 60% equity interest. Dr. Chan Chung is then appointed by Vodatel as an advising board member for the Target Company who gave advice on strategic direction of the Target Company. The Company has not decided yet to proceed the transaction.

Dr. Chan Chung is the founder of the Company. He became a shareholder and director since the Company established. He is the substantial shareholder who held 41% of issued share capital immediately after the placing and the capitalization issue on 7 May 2003.

Vodatel became a shareholder of the Company who held 9.8% of issued share capital of the Company since 11 December 2001. Vodatel is an initial management shareholder of the Company who held 7.3% of issued share capital immediately after the placing and the capitalization issue on 7 May 2003. The Company issued HK$1,600,000 convertible notes to Vodatel pursuant to the subscription agreement dated 28 March 2002 and amended by a supplemented 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 to Vodatel on 14 April 2004.

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

Other than routine resolutions at an annual general meeting, the Company had convened one EGM on 6 November 2003 and Dr. Chan Chung was appointed by Vodatel to vote under its instruction. Silicon and Vodatel are unanimously votes in a same manner in the EGM.

9. ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the appendix of this circular.

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

1. THREE YEARS FINANCIAL SUMMARY OF THE GROUP

The following is a summary of the audited consolidated results of the Group for three years ended 31 March 2006 extracted from respective annual reports of the Company.

Results

		(As restated)	
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	20,982	20,950	11,534
Other income	1,083	168	193
Telecom operators costs	(12,244)	(13,420)	(6,701)
Employment costs	(5,847)	(5,768)	(5,452)
Research and development expenses	(859)	(1,064)	(1,469)
Depreciation of property, plant and equipment	(148)	(269)	(1,727)
Other operating expenses	(3,990)	(4,180)	(4,804)
Operating loss	(1,023)	(3,583)	(8,426)
Finance costs	(74)	(237)	(51)
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)	(8,477)
Taxation	(224)	—	—
Loss for the year	(1,261)	(3,853)	(8,477)
Attributable to:			
Equity holders of the Company	(1,322)	(4,167)	(8,544)
Minority interests	61	314	67
	(1,261)	(3,853)	(8,477)
Loss per share for loss attributable to the equity Holders of the Company during the year			
— basic	0.28 cent	0.94 cent	1.99 cents

Assets, liabilities and minority interests

	As at 31 March	(As restated)	
	2006	**2005**	**2004**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	26,038	28,711	30,552
Total liabilities	(7,452)	(11,311)	(9,753)
Minority interests	(637)	(557)	(243)
Net assets	17,949	16,843	20,556

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2006 AND 2005

Set out below are the audited consolidated income statement of the Group for the two years ended 31 March 2006 and 2005 together with the relevant notes thereto as extracted from the Company' annual report for the year ended 31 March 2006.

Consolidated Income Statement

For the year ended 31 March 2006

			(As restated)
		2006	**2005**
	Notes	*HK$'000*	*HK$'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

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
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

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

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	Accumulated 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

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

Notes to the 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(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.

(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.

(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.

(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))*.

(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).

(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.

(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.

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.

(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.

(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.

Secondary reporting format — geographical segments

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

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

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

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

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

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	**2005**
	HK$'000	*HK$'000*
Turnover		
Subscription fees from provision of Mobilesurf services	—	6
Service fees from provision of mobile data solutions and related services	20,982	20,944
	20,982	20,950
Other income		
Interest income	325	13
Negative goodwill 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	**2005**
	HK$'000	*HK$'000*
Auditors' remuneration	314	210
Depreciation of property, plant and equipment	148	269
Staff costs, including directors' emoluments and amount classified as research and development expenses *(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

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

9. STAFF COSTS

	2006 HK$'000	2005 HK$'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

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).

(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 *HK$'000*	**2005** *HK$'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.

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.

	2006	**(As restated) 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 *HK$'000*	2005 *HK$'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%
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%

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
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%

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.

(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)	—

Balance Sheet

At 31 March

	2006	**2005**
	HK$'000	*HK$'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.

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

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.

(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.

(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	Capital reserve	Capital redemption reserve	Cumulative translation adjustments	Convertible notes reserve	Accumulated deficits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note (iii))	*(Note (i))*					
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)

(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

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

(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.

(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

						From 25 May 2000 (date of incorporation) to 31 March
		(As restated)				
	2006	**2005**	**2004**	**2003**	**2002**	**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					
		(As restated)				
	2006	**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.

3. STATEMENT OF INDEBTEDNESS

Borrowing

At the close of business on 30 June 2006, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Company had no outstanding borrowing.

Contingent liabilities

As at 30 June 2006, the Group did not have any contingent liabilities.

Disclaimers

Save as aforesaid and apart from intra-group liabilities, the Group did not, at the close of business on 30 June 2006 have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptance (other than normal trade bills and payables), acceptance credits or any guarantees or other contingent liabilities.

The Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 30 June 2006.

4. WORKING CAPITAL

The Directors are of the opinion that, taking into account the present financial resources of the Group and the improvement in the net asset value of the Group upon the Completion, the Group has, in the absence of unforeseeable circumstances, sufficient working capital for next 12 months from the date of the Circular.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware as at the Latest Practicable Date of any material adverse change in the financial or trading position or prospect of the Group since 31 March 2006, being the date to which the latest published audited financial statements of Group were made up.

1. RESPONSIBILITY STATEMENTS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this circular 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 circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY

As at the Latest Practicable Date, 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	Approximately 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.

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

Name of Directors	Capacity	Date of grant	Number of underlying Shares	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option *HK$*	Exercise price per Share *HK$*
Dr. Chan Chung *(Note)*	Beneficial owner	27 March 2003	300,000	0.063%	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 Latest Practicable Date, 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.

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

As at Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by the Directors or chief executives of the Company, the persons who have, directly or indirectly, interests or had short positions in the Shares or underlying Shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long positions in Shares — interest in the Shares

Name of shareholder	**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.

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.

4. 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, 6 March 2006 and 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.

Save as disclosed above, none of the Directors had services contract with any member of the Group as at the Latest Practicable Date which is not expiring or determinable within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTEREST IN ASSETS

The Directors confirm that none of the Directors has any direct or indirect interests in any assets which have been, since 31 March 2006 (being the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to the Company or any member of the Group.

6. DIRECTORS' INTEREST IN CONTRACTS

The Directors confirm that there is no contract or arrangement subsisting at the Latest Practicable Date in which a Director was materially interested and which was significant in relation to the business of the Group.

7. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or managements Shareholders (as defined in the GEM Listing Rules) or any of their respective associates had any business or interest that directly or indirectly competes or may compete with the business of the Group or had or might have any other conflict of interest.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation, arbitration or claim of material importance known by the Directors to be pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

Other than the Share Purchase Agreement, no material contracts (not being contracts entered into in the ordinary course of business) have been entered into by any member of the Group within the two years immediately preceding the date of this circular that are or may be material.

10. GENERAL

(i) The registered office of the Company is situated at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Town, Grand Cayman, Cayman Islands, British West Indies.

(ii) The principal place of business of the Company in Hong Kong is at Room 3401, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

(iii) The Hong Kong branch share register and transfer office of the Company is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopwell Centre, 183 Queen's Road East, Hong Kong.

(iv) The company secretary and qualified accountant of the Company appointed under Rule 5.15 of the GEM Listing Rules is Mr. Fok Chi Tak, Eric. He 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.

(v) The compliance officer of the Company is Mr Chan Wai Kwong, Peter.

(vi) 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, Eric and Mr Chen Kwok Wang, Kester. 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.

(vii) The English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of the Company at Room 3401, China Resources Building, 26 Horbour Road, Wanchai, Hong Kong, from the date of this circular up to and including 24 August 2006:

(a) the Company's memorandum and articles of association;

(b) the Share Purchase Agreement;

(c) the published audited consolidated financial statements of the Company for the financial year ended 31 March 2005 and 31 March 2006;

(d) the Directors' service contracts referred to under the section headed "Directors' service contracts" in this appendix; and

(e) this circular.

12. MISCELLANEOUS

Biographical details of the directors of the Company are set out as follows:

Executive Directors

Dr. Chan Chung, aged 49, is a founder, an executive Director and the chairman and chief executive officer of the Group. Dr. Chan is responsible for formulating the overall business plan and the corporate strategies of the Group. Further, Dr. Chan is a founder of Silicon Genesis Corporation, a high technology company in the US. Dr. Chan has been elected a fellow of the Institute of Electrical and Electronics Engineers in the US and graduated with a doctor degree in philosophy from the University of Iowa in 1981.

Mr. Chan Wai Kwong, Peter, aged 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.