



Mobile Telecom Network (Holdings) Limited
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8266)

INTERIM REPORT
2006

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This report, for which the directors (the “Directors”) of Mobile Telecom Network (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) 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:— (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Results

The board of Directors (the “Directors”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 September 2006, together with the unaudited comparative figures for the corresponding periods in 2005 as follows:

Unaudited Condensed Consolidated Income Statement

For the three months and six months ended 30 September 2006

	Notes	Three months ended 30 September		Six months ended 30 September	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Turnover	2	5,438	4,520	13,170	8,375
Other income	2	9,029	31	9,156	76
Telecom operators costs		(3,552)	(2,502)	(8,581)	(4,567)
Employment costs		(1,318)	(1,430)	(2,901)	(2,868)
Research and development expenses		(280)	(208)	(488)	(461)
Depreciation of property, plant and equipment		(22)	(30)	(46)	(73)
Other operating expenses		(1,430)	(964)	(2,356)	(1,967)
Operating gain/(loss)		7,865	(583)	7,954	(1,485)
Finance costs	3	(3)	(52)	(5)	(65)
Share of profit/(loss) of an associate		24	17	144	(5)
Share of loss of a jointly controlled entity		—	—	(1)	—
Profit/(Loss) before taxation		7,886	(618)	8,092	(1,555)
Taxation	4	—	—	—	—
Profit/(Loss) for the period		7,886	(618)	8,092	(1,555)
Attributable to:					
Equity holders of the Company		7,663	(515)	7,702	(1,209)
Minority interests		223	(103)	390	(346)
		7,886	(618)	8,092	(1,555)
Earning/(Loss) per share for profit/(loss) attributable to the equity holders of the Company during the period	5				
— basic (HK cent)		1.62	(0.11)	1.63	(0.26)
— diluted (HK cent)		1.59	—	1.60	—

Condensed Consolidated Balance Sheet

As at 30 September and 31 March 2006

	Notes	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		172	192
Interest in an associate	6	5,851	5,715
Investment in a jointly controlled entity		—	37
		6,023	5,944
Current assets			
Trade and other receivables	7	2,830	6,026
Cash and cash equivalents		19,321	14,068
		22,151	20,094
Total assets		28,174	26,038
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		36,930	36,930
Reserves		(11,341)	(18,981)
		25,589	17,949
Minority interests		16	637
Total equity		25,605	18,586
LIABILITIES			
Current liabilities			
Trade and other payables	8	2,569	6,828
Convertible notes		—	400
Current tax liabilities		—	224
Total liabilities		2,569	7,452
Total equity and liabilities		28,174	26,038
Net current assets		19,582	12,642
Total assets less current liabilities		25,605	18,586

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2006

	Unaudited									
	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Cumulative translation adjustments	Convertible notes reserves	Accumulated deficits	Total	Minority interests	Total equity
Balance at 1 April 2006	36,930	35,564	16,375	2,943	572	44	(74,479)	17,949	637	18,586
Translation adjustments	—	—	—	—	—	—	—	—	—	—
Redemption of convertible notes	—	—	—	—	—	(44)	44	—	—	—
Disposal of subsidiary	—	—	—	—	(62)	—	—	(62)	(1,011)	(1,073)
Profit for the period	—	—	—	—	—	—	7,702	7,702	390	8,092
Balance at 30 September 2006	36,930	35,564	16,375	2,943	510	—	(66,733)	25,589	16	25,605
Balance at 1 April 2005,										
as previously stated	34,530	35,303	16,375	2,943	544	—	(72,896)	16,799	557	17,356
Effect of adoption of HKAS 39	—	—	—	—	—	545	(463)	82	—	82
Balance at 1 April 2005, as restated	34,530	35,303	16,375	2,943	544	545	(73,359)	16,881	557	17,438
Translation adjustments	—	—	—	—	35	—	—	35	—	35
Issue of shares	2,400	—	—	—	—	—	—	2,400	—	2,400
Exercise of convertible notes	—	—	—	—	—	(11)	—	(11)	—	(11)
Loss for the period	—	—	—	—	—	—	(1,209)	(1,209)	(346)	(1,555)
Balance at 30 September 2005	36,930	35,303	16,375	2,943	579	534	(74,568)	18,096	211	18,307

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2006

	Unaudited	
	Six months ended	
	30 September	
	2006	2005
	HK\$'000	HK\$'000
Net cash used in operating activities	(1,886)	(2,234)
Net cash generated from/(used in) investing activities	7,541	(281)
Net cash used in financing activities	(402)	—
Net increase/(decrease) in cash and cash equivalents	5,253	(2,515)
Cash and cash equivalents at 1 April	14,068	20,437
Effect of foreign exchange rate changes *	—	35
Cash and cash equivalents at 30 September	19,321	17,957
Analysis of balances of cash and cash equivalents:		
Cash and cash equivalents	19,321	17,957

* consistency of accounting treatment

Notes to the Condensed Interim Accounts:

1. Basis of preparation and accounting policies

These unaudited condensed consolidated financial statements of the Company have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34: Interim Financial Reporting, which also include Hong Kong Financial Reporting Standards (“HKFRS”) 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 unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

These unaudited condensed consolidated financial statements should be read in conjunction with the 2006 annual financial statements.

2. Turnover, other income and segment information

The Group is principally engaged in the development, provision and sale of mobile internet communication telecommunications and related services in Hong Kong and other Asian countries. An analysis of the Group’s turnover and other income during the periods is as follows:

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2006 HK\$’000	2005 HK\$’000	2006 HK\$’000	2005 HK\$’000
Service fees from provision of mobile data solutions and related services	5,438	4,520	13,170	8,375
	5,438	4,520	13,170	8,375
Other income				
Interest income	54	31	169	68
Gain on disposal of subsidiary	8,975	—	8,975	—
Sundry income	—	—	12	8
	9,029	31	9,156	76

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 six months ended 30 September 2006 by geographical locations is as follow:

	Hong Kong/						Total
	Macau	Australia	Malaysia	Singapore	Taiwan	Others*	
	2006	2006	2006	2006	2006	2006	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	5,178	6,668	—	992	308	24	13,170
Segment results	9,360	334	—	156	(84)	10	9,776
Unallocated costs							(1,822)
Operating gain							7,954
Finance costs							(5)
Share of profit of an associate							144
Share of loss of a jointly controlled entity							(1)
Profit before taxation							8,092
Taxation							—
Profit for the period							8,092
Profit attributable to equity holders							7,702
Minority interests							390
							8,092
Segment assets	21,894	—	—	—	275	—	22,169
Interest in an associate							5,851
Interest in a jointly controlled entity							—
Unallocated assets							154
Total assets							28,174
Segment liabilities	(1,571)	—	—	—	(18)	—	(1,589)
Unallocated liabilities							(980)
Total liabilities							(2,569)
Capital expenditure	58	—	—	—	—	—	58
Depreciation of property, plant and equipment	40	3	—	3	—	—	46

Mobile Telecom Network (Holdings) Limited

An analysis of the Group's turnover and results for the six months ended 30 September 2005 by geographical locations is as follow:

	Hong Kong/						Total
	Macau	Australia	Malaysia	Singapore	Taiwan	Others*	
	2005	2005	2005	2005	2005	2005	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	4,512	1,378	127	603	629	1,126	8,375
Segment results	(1,671)	123	38	(61)	168	338	(1,065)
Unallocated costs							(420)
Operating loss							(1,485)
Finance costs							(65)
Share of loss of an associate							(5)
Share of loss of a jointly controlled entity							—
Loss before taxation							(1,555)
Taxation							—
Loss for the period							(1,555)
Loss attributable to equity holders							(1,209)
Minority interests							(346)
							(1,555)
Segment assets	19,239	1,371	—	749	325	1	21,685
Interest in an associate							5,476
Interest in a jointly controlled entity							11
Unallocated assets							122
Total assets							27,294
Segment liabilities	(4,353)	(767)	—	(405)	(24)	—	(5,549)
Unallocated liabilities							(3,438)
Total liabilities							(8,987)
Capital expenditure	104	25	—	33	—	—	162
Depreciation of property, plant and equipment	64	—	—	9	—	—	73

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

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

3. Finance costs

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Bank interest and charges	3	1	3	4
Interest expenses — others	—	51	2	61
	3	52	5	65

4. Taxation

No provision for Hong Kong profits tax is made in the financial statements as the Group has sufficient tax losses brought forward available to offset the current estimated profit (2005: Nil). Taxation on overseas profits has been calculated on the estimated profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

5. Earning/(Loss) per share

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

	2006 HK\$'000	2005 HK\$'000
Profit/(Loss) attributable to equity holders of the Company	7,702	(1,209)
Weighted average number of ordinary shares in issue	472,811,363	458,771,851
Effect of dilutive potential ordinary shares: Options	10,258,113	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	483,069,476	458,771,851

A diluted loss per share amount for the 6 months period 30 September 2005 has not been disclosed as share options outstanding during the period had anti-dilutive effects on the basic loss per share for the period.

6. Interest in an associate

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Share of net assets	251	107
Goodwill	5,250	5,250
	5,501	5,357
Due from an associate	350	358
	5,851	5,715

- (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 %
		Assets HK\$'000	Liabilities HK\$'000	Revenue HK\$'000	Profit HK\$'000	Profit HK\$'000	Profit HK\$'000			
廣州流之動資訊 技術有限公司	PRC	1,176	548	1,156	360	360	360	40		

7. Trade and other receivables

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Trade receivables	1,369	4,320
Less: Provision for impairment of receivables	—	(89)
Trade receivables — net	1,369	4,231
Prepayments, other receivables and deposits	1,461	1,795
	2,830	6,026

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 receivables is as follows:

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
0 to 30 days	1,022	2,812
31 to 60 days	47	458
61 to 90 days	93	312
91 to 180 days	22	347
Over 180 days	185	302
	1,369	4,231

8. Trade and other payables

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
Trade payables	1,233	2,829
Accrued expenses	1,101	2,939
Other payables	223	1,048
Deposits received	12	12
	2,569	6,828

The aging analysis of trade payables is as follows:

	Unaudited 30 September 2006 HK\$'000	Audited 31 March 2006 HK\$'000
0 to 30 days	396	388
31 to 60 days	77	544
61 to 90 days	155	462
Over 90 days	605	1,435
	1,233	2,829

Interim Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2006 (2005: Nil).

Management Discussion and Analysis

Financial Performance

For the six-month period ended 30 September 2006, turnover of the Group reached to approximately HK\$13,170,000 representing an increase of 57% over the corresponding six-month period ended 30 September 2005. As the Group will focus on the fast expanding PRC mobile data market in the near future, the Group had sold its subsidiary company Mobilemode in August 2006. This event will have short-term adverse impact on the Group's future turnover. However, it can generate a gain on disposal of approximately HK\$9 million and strengthen the cashflow position of the Group. As such, the Group recorded a net profit attributable to equity holders of the Company that was approximately HK\$7,702,000, as compared with a loss of HK\$1,209,000 in the same period of 2005.

Business Review

For the period from April to September 2006 of the Group's financial year, the Group has undergone major restructuring of our business. We have sold our subsidiary company Mobilemode Limited to better focus our business in the Greater China area. In particular, our value added mobile business in Hong Kong has grown with even richer line-ups of branded content including the winning of several major projects from the Hong Kong operators. In August 2006, The Group has teamed with Press Association Sports to launch the World Cup football value added services with 3HK across the 3G and 2G dual band mobile users. The Group continues to strengthen its position especially in the Sport & Entertainment Services for mobile users across the region through key partnerships with several leading global news agencies.

It is noteworthy for the Group that Hong Kong CSL, a leading Hong Kong operator has outsourced its entire Java game operation to the Group. At present, the Group has signed more than 80 JAVA developers and partners for this project. The Group is also scaling its games business to serve the various channels & exploring into new markets such as Indonesia, Vietnam, Sri Lanka, etc. Due to the competitive market condition, more operators are considering to outsource their existing products and services to third parties. The Group has benefited by this trend and has won several outsourcing projects from operators in this region.

In the PRC market, the Group continues its close working relationship with China Mobile, Guangdong to provide the web-development of its "M-Zone" plus various associated promotional and marketing activities. The Group believes its strategic relationship with China Mobile will further allow more business opportunities in developing & exploring more PRC specific 3G services in the near future.

The mobile entertainment segment has reached a point of richer and user-friendlier contents thus delivering more value for the subscribers. In this period, the Group has signed up Fortune Star, a subsidiary of Star TV to deliver more branded content to operators.

By planning to be a leader in 3G services provisioning, the Group continues to strengthen its core business in 2.5G but reduces its dependence in 2G. The Group is deploying the existing 2G services into the new market such as Indonesia, Vietnam, Sri Lanka, etc. in order to fully utilize the past development & services.

Prospects

The Group will continue to provide leading operators in Southeast Asia and in particular the greater China region with the quality sport data services through various platforms, i.e. SMS, WAP, MMS, JAVA and 3G. These sport data services include the English Premier League as well as all the other major soccer leagues from Europe. In addition, more other content services include Entertainment, Lifestyle & Leisure, Dining, Movie, Cartoon, Games, Fortune Telling, and etc. will be available as well. For some of the new market such as Vietnam and Indonesia, the Group will plan to act as a master content aggregator on behalf with the local operators in order to maximize the revenue and minimize the resources allocation.

For the more advance 3G markets such as Australia, Hong Kong, Singapore and Taiwan, the Group believes diversification of multi-media services to attract customers from many different angle will be the focus of the near future and the Group will develop applications and create more services with the 3G operators to bring 3G technologies to the business and the consumer markets. The Group brings to the telecom operators with a broad frontier of new businesses and entertainment services based on our extensive experience in mobile data services provisioning since 1999. The Group's newly developed services include video messaging with the subscribers easily downloading clips from films, music, sports and information services channels. In addition, the Group shall deploy more Interactive gaming services and video broadcasting services in order to enhance the user behaviours on the mobile phone. The Group has recently signed up with more content partners including established brands and leading gaming companies. Our extensive experience in offering different types of mobile services totalling in the hundreds further positions the Group to capture more business opportunities as they quickly emerge in the PRC market.

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

The Group is focusing its business to serve the various brands to mobilize their content and brands from more traditional media platforms. The Group is cooperating with handset manufacturers for efficient service provisioning. The efforts include pre-load and prominently feature and the Group's services with optimized handsets starting in the third quarter of 2006, giving consumers quick and easy access to their internet content and services. The devices will be available to consumers in Hong Kong and afterward will be extending into a number of markets across Asia.

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

Research and Development

1. *Services performance analysis system*

The group has developed a service performance analysis system for group's major mobile services. The analysis provided by the system is used internally for the projection of user behavior and predicts the trend of mobile services product cycle and marketing strategies.

Sales and Marketing

The Group has generated more of its revenue from its recurring and outsourcing business with telecommunication operators over the past six months. The Group has expanded its business into download and streaming multimedia services including other video services in 2.5G, 2.75G and 3G networks. In addition, the Group is now deploying more value-added services with operators' sales channels in Australia, New Zealand, Singapore, Thailand, Taiwan and Vietnam. In Hong Kong and Taiwan, the Group operates with all the local operators and creates the efficiency of scale in order to benefit all parties involved. From the products' point of view, the Group has maintained its focus on developing completely new and user-friendly services and streamlined its distribution channel to deliver third party content even further to maximize revenues and maximize the potential of the Group's service delivery engine that is connected to the operator infrastructure.

The Group further extended applications into two areas: (1) increasing the interactive features on our MobileSurf platform; and (2) centralize the interface of our GloDan platform serving as a major hub between network operators and content providers across Asia Pacific region.

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

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

Liquidity and Financial Resources

The Group generally financed its operation and investment activities with internally generated cash flows, investments from its existing shareholders and the balance of the net proceeds from the listing of the Company's shares on GEM on 9 May 2003.

As at 30 September 2006, the Group had net current assets of approximately HK\$19,582,000 (as at 31 March 2006: approximately HK\$12,642,000), of which approximately HK\$19,321,000 (as at 31 March 2006: approximately HK\$14,068,000) were cash and bank balances. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

Gearing Ratio

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.10 as at 30 September 2006 (as at 31 March 2006: 0.42). Decrease in gearing ratio was mainly due to net cash inflow HK\$7,421,000 from disposal of subsidiary during the period under review.

Foreign Exchange Exposure

The income and expenditure of the Group are denominated in Hong Kong dollars, Singapore dollars, New Taiwan dollars, Australian dollars, Malaysian dollars, RMB and Euro. In view of the stability of the exchange rates among these currencies, the Directors do not consider that the Group is significantly exposed to foreign exchange risk. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

Capital Structure

Except for the full redemption of the Group's convertible notes amounting to HK\$400,000 in May 2006, there was no change in the capital structure of the Group as at 30 September 2006 as compared with that as at 31 March 2006.

Material Acquisitions/Disposal and Significant Investments

The Group disposed all its shareholding in Mobilemode Limited in August 2006, representing 60% of the issued share capital of Mobilemode Limited.

Charges on Group's Assets

As at 30 September 2006, the Group did not have any charges on the Group's assets.

Contingent Liabilities

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

Employee Information

As at 30 September 2006, the Group had a total of 12 employees in Hong Kong. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors' emoluments, amounted to approximately HK\$3,389,000 during the period under review (2005: approximately to HK\$3,329,000). Share options and bonuses are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group.

Directors' and Chief Executives' Interests and Short Positions in Shares (the "Shares"), Debentures and Underlying Shares of the Company

As at 30 September 2006, the interests and short positions of the Directors and chief executives of the Company in the Shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares — interests in the Shares

Name of Directors	Capacity	Number of Shares held	Approximately percentage of issued share capital
Dr. Chan Chung	<i>(Note)</i>	176,169,861	37.3%
Mr. Chan Wai Kwong, Peter	Beneficial owner	4,064,036	0.9%
		<u>180,233,897</u>	<u>38.2%</u>

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	Option Period	Consideration	Exercise
				percentage of issued share capital		for the grant of the option	price per share
						HK\$	HK\$
Dr. Chan Chung (Note)	Beneficial owner	27 March 2003	300,000	0.063%	9 May 2003 — 8 May 2013	1.00	0.103
		18 September 2006	4,728,113	1.000%	19 September 2006 — 18 September 2016	1.00	0.078
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
				5,128,113	1.084%		

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

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

Substantial Shareholders' Interests and Short Positions in the Shares, Debentures and Underlying Shares of the Company

The register of Substantial Shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 September 2006, the Company had been notified of the following Substantial Shareholders' interest and short positions, being 5% or more of the issued share capital of the Company.

Long positions in Shares — interest in the Shares

Name of shareholder	Capacity	Number of shares held	Approximate Percentage of the issued share capital
Silicon	Beneficial owner	176,169,861	37.3%
Dr. Chan Chung	<i>(Note 1)</i>	176,169,861	37.3%
Vodatel Information Limited	Beneficial owner	94,573,696	20.0%
Vodatel Networks Holdings Limited ("Vodatel")	<i>(Note 2)</i>	94,573,696	20.0%
Go Capital Limited	Beneficial owner	31,902,233	6.7%
Culturecom Holdings Limited ("Culturecom")	<i>(Note 3)</i>	31,902,233	6.7%
UOB.com Pte Ltd	Beneficial owner	27,495,584	5.8%
United Overseas Bank Limited ("UOB")	<i>(Note 4)</i>	27,495,584	5.8%
Lake Haven Limited	Beneficial owner	23,881,144	5.1%
Hutchison Whampoa Limited ("Hutchison Whampoa")	<i>(Note 5)</i>	23,881,144	5.1%
			74.9%

Notes:

1. Silicon, a company incorporated in the British Virgin Islands, is an investment holding company. Silicon is directly and 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 interim report of Vodatel, as at 30 June 2006, 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 annual report of Culturecom, as at 31 March 2006, 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 27,495,584 Shares held by UOB.com Pte Ltd as UOB.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 27,495,584 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.
5. Hutchison Whampoa is deemed, by virtue of the SFO, to be interested in the 23,881,144 Shares held by Lake Haven Limited as Lake Haven Limited is an indirect wholly-owned subsidiary of Hutchison Whampoa. Hutchison Whampoa is a company incorporated in Hong Kong whose shares are listed on the Main Board (Stock code 13). Those persons or corporations who are entitled to exercise or control the exercise of one-third or more of the voting power in general meetings of Hutchison Whampoa or in accordance with whose directions or instructions Hutchison Whampoa or its directors are accustomed to act or who are otherwise taken to be interested in any shares in which Hutchison Whampoa is interested under the SFO will be deemed to be interested in the 23,881,144 Shares which Hutchison Whampoa will be deemed to be interested in. The names and particulars of the shareholdings of such persons or corporations (if any) in Hutchison Whampoa can be found in the information published by Hutchison Whampoa from time to time and from the website of the Stock Exchange at www.hkex.com.hk.

Share Options Rules

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

Pursuant to the Share Option Scheme and Pre-IPO Share Option Scheme, certain Directors and participants have been granted options to subscribe for shares. Details of the share options granted under the Share Option Scheme and Pre-IPO Share Option scheme outstanding as at 30 September 2006 are set out as below:

Pre-IPO Share Option Scheme

Name	Date of grant	Number of Share Options				Outstanding as at 30 September 2006	Approximate percentage of issued share capital	Consi- deration for the Option Period	Exercise price per share	
		Granted	Exercised	Lapsed	Outstanding					
		during	during	during	during					
		the period	the period	the period	the period					
		as at 1 April 2006	under review	under review	under review	as at 30 September 2006	share capital	Option Period	grant of the option	price per share
										HK\$ HK\$
Executive Directors										
Dr. Chan Chung	27 March 2003	300,000	—	—	—	300,000	0.063%	9 May 2003 — 8 May 2013	1.00	0.103
Mr. Chan Wai Kwong, Peter	27 March 2003	100,000	—	—	—	100,000	0.021%	9 May 2003 — 8 May 2013	1.00	0.103
Other Participants										
Employees in aggregate (Note)	27 March 2003	1,830,000	—	—	—	1,830,000	0.387%	9 May 2003 — 8 May 2013	1.00	0.103
Business Consultant										
Young Antony, Michael	27 March 2003	300,000	—	—	—	300,000	0.063%	9 May 2003 — 8 May 2013	1.00	0.114
		2,530,000	—	—	—	2,530,000	0.534%			

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

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

Share Option Scheme

Name	Date of grant	Number of Share Options				Outstanding as at 30 September 2006	Approximate percentage of issued share capital	Option Period	Consi-deration for the grant of the option	Exercise price per share
		Granted	Exercised	Lapsed						
		during	during	during	Outstanding					
		the period	the period	the period	as at					
	2006	under review	under review	under review	2006	share capital	September 2006 – 18 September 2016			
								HK\$	HK\$	
Executive Directors										
Dr. Chan Chung	18 September 2006	—	4,728,113	—	—	4,728,113	1%	19 September 2006 – 18 September 2016	1.00	0.078
		—	4,728,113	—	—	4,728,113	1%			

Save as disclosed above, no options pursuant to the Share Option Scheme have been exercised and cancelled during the period under review.

Purchase, Sale or Redemption of Listed Securities

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

Directors' Interest in Competing Business

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

Code on Corporate Governance Practices

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

Audit Committee

The Company has an audit committee which was established with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members comprising all independent non-executive directors namely Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Mr. Chen Kwok Wang. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. The audit committee has reviewed with the management this unaudited interim report for the six months end 30 September 2006 and has provided advice and comments thereon.

By Order of the Board

Chan Chung

Chairman

Hong Kong, 3 November 2006

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