



Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8266)

Third Quarterly 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 (“Three-Month period”) and nine months (“Nine-Month Period”) ended 31 December 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 nine months ended 31 December 2006

	Three months ended 31 December		Nine months ended 31 December		
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	
Notes					
Turnover	3,913	5,502	17,083	13,877	
Other income	275	159	9,431	235	
Telecom operators costs	(2,146)	(3,292)	(10,727)	(7,859)	
Employment costs	(1,117)	(1,442)	(4,018)	(4,310)	
Research and development expenses	(268)	(187)	(756)	(648)	
Depreciation of property, plant and equipment	(24)	(33)	(70)	(106)	
Other operating expenses	(625)	(1,053)	(2,981)	(3,020)	
Operating gain/(loss)	8	(346)	7,962	(1,831)	
Finance costs	(1)	(8)	(6)	(73)	
Share of profit/(loss) of an associate	56	(12)	200	(17)	
Share of (loss)/profit of a jointly controlled entity	—	39	(1)	39	
Profit/(Loss) before income tax	63	(327)	8,155	(1,882)	
Income tax	2	—	—	—	
Profit/(Loss) for the period	63	(327)	8,155	(1,882)	
Attributable to:					
Equity holders of the Company	72	(403)	7,774	(1,612)	
Minority interests	(9)	76	381	(270)	
	63	(327)	8,155	(1,882)	
Earning /(Loss) per share for profit/(loss) attributable to the equity holders of the Company during the period					
— basic (HK cent)	3	0.01	(0.09)	1.64	(0.35)
— diluted (HK cent)		0.01	—	1.61	—

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2006

	Unaudited									
	Attributable to equity holders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Cumulative translation adjustments HK\$'000	Convertible notes reserves HK\$'000	Accumulated deficits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
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	—	—	—	—	—	—	7,774	7,774	381	8,155
Balance at 31 December 2006	36,930	35,564	16,375	2,943	510	—	(66,661)	25,661	7	25,668
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	—	—	—	—	28	—	—	28	—	28
Issue of shares	2,400	—	—	—	—	—	—	2,400	—	2,400
Exercise of convertible notes	—	—	—	—	—	(11)	—	(11)	—	(11)
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	19	19
Loss for the period	—	—	—	—	—	—	(1,612)	(1,612)	(270)	(1,882)
Balance at 31 December 2005	36,930	35,303	16,375	2,943	572	534	(74,971)	17,686	306	17,992

NOTES TO THE CONDENSED THIRD QUARTERLY 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 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 unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

2. Income tax

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

3. 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 Nine-Month Period.

	Nine-Month Period	Nine months ended 31 December 2005
	HK\$'000	HK\$'000
Profit/(Loss) attributable to equity holders of the Company	<u>7,774</u>	<u>(1,612)</u>
Weighted average number of ordinary shares in issue	472,811,363	463,468,706
Effect of dilutive potential ordinary shares: Options	<u>10,258,113</u>	<u>—</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>483,069,476</u>	<u>463,468,706</u>

A diluted loss per share amount for the nine months ended 31 December 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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 31 December 2006 (nine months ended 31 December 2005: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

For the Nine-Month Period ended December 2006, turnover of the Group was HK\$17,083,000 representing an increase of HK\$3,206,000 or 23% as compared with the corresponding period last year. Net profit attributable to equity holders of the Group was HK\$7,774,000 in the Nine-Month Period compared to net loss attributable to equity holders of the Group of HK\$1,612,000 in the same period last year.

For the Three-Month Period ended December 2006, turnover of the Group was HK\$3,913,000 representing a decrease of HK\$1,589,000 or 29% as compared with the corresponding period last year. The focus of higher margin businesses and the disposal of a subsidiary had led to a short-term adverse impact on the Group's turnover. Net profit attributable to equity holders of the Group was HK\$72,000 in the Three-Month Period compared to net loss of HK\$403,000 in the same period last year. During the Three-Month Period, the Group focused on developing new business and advance systems for the improvement in gross profit margin.

Business Review

The Group has undergone major restructuring of its business including the disposal of a subsidiary company Mobilemode Limited to better focus its business in the Greater China area. In particular, its value added mobile business in Hong Kong and China has grown with even richer line-ups of branded content including the winning of several major projects from the leading operators.

The Group has recently been ranked 38th on the 2006 Top 100 of the most influence and innovation enterprises award in China. The ranking is recognizing the company's innovation and creativeness in telecommunication technology development. In addition, the Group has participated in the event activities and contributed substantially to the creation of M-Zone that won the 2nd position of the 2006 Top 10 marketing events in China award. This award is to recognize the success of the event activities "M-Zone" which organized by China Mobile Guangdong.

As a pioneer in the Asian mobile data market, the Group recognizes the importance and the huge potential of mobile gaming market. It is noteworthy that Hong Kong CSL and New World Mobility as well as other leading operators in the region have outsourced its entire Java game operation to the Group. At present, the Group has signed large number of major partnerships with games developers, obtaining the rights to distribute their games on the region's mobile networks. The Group assists these companies to enter the Asian markets through its' wide GloDan distribution network. It is vital for the Group to aggressively expand its' content provider pool in order to maintain its competitive edge in content offering.

The Group is also scaling its games business to serve the various channels & exploring new markets such as China, Indonesia, Vietnam, Sir Lanka, etc. Due to the competitive market condition, more operators are considering to outsource their existing data products and services to third parties. The Group has benefited by this trend and has won several outsourcing projects from operators in this region. For example, Macau CTM, the largest operator in Macau, has appointed the Group to operate its entire mobile gaming business including JAVA games and online multi-players gaming business. Others including Hutchison 3HK also recognizes the Group of its experience and expertise in gaming business and considers the Group as the key player in this area to assist 3HK to operate the games and numerous other value added businesses in both 2G and 3G markets. In addition, the Group has cooperated with ClubiT, a listed company in Japan for the provision of "Game On Demands" services in Hong Kong.

On December 2006, The Group has formed a partnership with Warner Bros Online a wireless distribution arrangement that brings iconic Warner Bros Mobile to Hong Kong mobile 3G and 2G users. The Warner Bros Mobile will be available in various forms, including graphic images, audio and video contents, and games. The Group is strongly poised to provide consumers with innovative, new product that targets the teen and young adult market, offering a diversified range of mobile content products, personalized and located to the market.

The sport segment is still dominated the premium information revenue in premium content market. The Group collaborates with the National Basketball Association, to launch the first NBA Mobile in Hong Kong, a new wireless service offering fans access to NBA content via mobile phone with Hutchison 3HK. It marks the first time official NBA content on mobile phones to be available to both 3G and 2G subscribers in Hong Kong.

In the PRC market, the Group strives to cooperate with the biggest operator in China, providing various services in the Guangdong region, working comprehensively with China Mobile Guangdong on brand promotion, value added services provision and in other areas. In the passed year we had carried out the "M-Zone" brand promotion cooperation, EDGE video-on-demand trial promotion, portal consultation services cooperation and won a 3-year exclusive contract on "M-Zone" brand promotion.

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 contents to operators. By planning to be a leader in 3G services provisioning in the advance mobile markets, the Group continues to strengthen its core business but reduces its dependence in the lower end services such as ring-tones and SMS. However, the Group is deploying such existing 2G services into the new market such as Indonesia, Vietnam, Sir 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 and advance data services through various platforms, i.e. SMS, WAP, MMS, JAVA and 3G. It is widely expected that China will issue one or more 3G licenses in the second half of 2007. The Group plans to focus on expanding its PRC position in the 3G service provisioning including content aggregation and IP rights management. 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 different content types will be the focus of the near future. 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, more other content services include Entertainment, Lifestyle & Leisure, Dining, Movie, Cartoon, Games, Fortune Telling, and etc. will be available as well. In the advance services, the Group shall deploy more Interactive gaming services and video broadcasting services such as mobile TV 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 several 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.

In future business development in China, the Group continues to intensify its cooperation with the major operator there. In the anticipation of granting the 3G licenses to the major operators there, the Group with its edge and experiences in 3G services will provide domestic and international content that are well suited to the Chinese culture as well as services to meet customers' demands. When 3G arrives in China, the Group plans to at the same time deepen the brand promotion cooperation with China Mobile Guangdong and allowing more customers to experience the 3G services.

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, 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

GloDan — Caching Network

The group has expanded its caching capabilities to interconnect the group's mobile services with major operators network. The performance of services quality has improved for multiple operators' access of the Group's content services. It reduces the loading of Database query, handset dependent attribute and content generation process time. The overall end user experience has been significance improved with a quicker response time per query.

Sales and Marketing

The Group has generated more and more of its revenue from its recurring and outsourcing business with telecommunication operators over the past nine 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 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 its MobileSurf platform; and (2) centralize the interface of its GloDan network 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 its 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 agreed with local operators. Such product segment thinking enables the Group to roll out its services across the countries with high pace and healthy margins.

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

As at 31 December 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	<u>4,064,036</u>	<u>0.9%</u>
		<u><u>180,233,897</u></u>	<u><u>38.2%</u></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 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
		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”). 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 31 December 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	(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%
UOB.com Pte Ltd	Beneficial owner	27,495,584	5.8%
United Overseas Bank Limited ("UOB")	(Note 4)	27,495,584	5.8%
Lake Haven Limited	Beneficial owner	23,881,144	5.1%
Hutchison Whampoa Limited ("Hutchison Whampoa")	(Note 5)	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 quarter report of Vodatel, as at 30 September 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 interim report of Culturecom, as at 30 September 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 31 December 2006 are set out as below:

Pre-IPO Share Option Scheme

Name	Date of grant	Number of Share Options					Approximate percentage of issued share capital	Option Period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
		Out-standing as at 1 April 2006	Granted during the period under review	Exercised during the period under review	Lapsed during the period under review	Out-standing as at 31 December 2006				
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
		<u>2,530,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,530,000</u>	<u>0.534%</u>			

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						Approximate percentage of issued share capital	Option Period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
		Out-standing as at 1 April 2006	Granted during the period under review	Exercised during the period under review	Lapsed during the period under review	Out-standing as at 31 December 2006					
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	
		<u>—</u>	<u>4,728,113</u>	<u>—</u>	<u>—</u>	<u>4,728,113</u>	<u>1%</u>				

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 quarterly report for the nine months end 31 December 2006 and has provided advice and comments thereon.

By Order of the Board

Chan Chung

Chairman

Hong Kong, 9 February 2007

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.