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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2007

(Stock Code: 8266)

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

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

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

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

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

* *for identification purposes only*

HIGHLIGHTS

- Turnover was HK$21,717,000 representing a slight HK$735,000 or 3.5% increase as compared with the financial year 2005/06.
- The margin in gross profit for the year has slightly declined by 1.8% and profit for the year attributable to the equity holders of the Group was HK$7,849,000, much improved over the financial year 2005/2006 with net loss of HK$1,322,000.
- Basic earnings per share were 1.66 cents for the year ended 31 March 2007 compared to basic loss per share of 0.28 cents for the corresponding period in the previous financial year.
- The Directors do not recommend the payment of a final dividend.

AUDITED CONSOLIDATED INCOME STATEMENT

The board of Directors (the "Board") is delighted to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2007, together with the comparative audited figures for the corresponding year ended 31 March 2006 as follows:

	Notes	**2007** ***HK$'000***	2006 *HK$'000*
Turnover	*2*	**21,717**	20,982
Other income and gains, net	*2*	**10,191**	1,083
Telecom operators costs		**(13,074)**	(12,244)
Employment costs		**(5,158)**	(5,847)
Research and development expenses		**(1,116)**	(859)
Depreciation of property, plant and equipment		**(94)**	(148)
Other operating expenses		**(4,078)**	(3,990)
Operating profit/(loss)	*3*	**8,388**	(1,023)
Finance costs		**(8)**	(74)
Share of profit of an associate		**105**	64
Share of loss of a jointly controlled entity		**(1)**	(4)
Profit/(loss) before taxation		**8,484**	(1,037)
Taxation	*4*	**(261)**	(224)
Profit/(loss) for the year		**8,223**	(1,261)
Attributable to:			
Equity holders of the Company		**7,849**	(1,322)
Minority interests		**374**	61
		8,223	(1,261)
Earnings/(losses) per share for profit/(loss) attributable to the equity holders of the Company during the year	*6*		
— basic		**1.66 cents**	(0.28) cents
— diluted		**1.62 cents**	—

AUDITED CONSOLIDATED BALANCE SHEET

At 31 March 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**139**	192
Interest in an associate		**6,139**	5,715
Interest in a jointly controlled entity		**—**	37
		6,278	5,944
Current assets			
Trade and other receivables	*7*	**2,861**	6,026
Cash and deposits with banks		**20,072**	14,068
		22,933	20,094
Total assets		**29,211**	26,038
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**36,930**	36,930
Reserves		**(11,159)**	(18,981)
		25,771	17,949
Minority interests		**—**	637
Total equity		**25,771**	18,586
LIABILITIES			
Current liabilities			
Trade and other payables	*8*	**3,440**	6,828
Convertible notes		**—**	400
Current tax liabilities		**—**	224
Total liabilities		**3,440**	7,452
Total equity and liabilities		**29,211**	26,038
Net current assets		**19,493**	12,642
Total assets less current liabilities		**25,771**	18,586

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2007

	Attributable to equity holders of the Company					
	Share capital	**Share premium**	**Other reserves**	**Accumulated deficits**	**Minority interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 April 2005	34,530	35,303	20,407	(73,397)	557	17,400
Translation adjustments	—	—	2	—	—	2
Elimination on winding-up of a subsidiary	—	—	26	—	—	26
Shares issued on conversion of convertible notes	2,400	261	(261)	—	—	2,400
Redemption of convertible notes	—	—	(240)	240	—	—
Acquisition of a subsidiary	—	—	—	—	19	19
Loss for the year	—	—	—	(1,322)	61	(1,261)
Balance at 31 March 2006	36,930	35,564	19,934	(74,479)	637	18,586
Recognition of share option benefits at fair value	—	—	35	—	—	35
Redemption of convertible notes	—	—	(44)	44	—	—
Disposal of subsidiaries	—	—	(62)	—	(1,011)	(1,073)
Profit for the year	—	—	—	7,849	374	8,223
Balance at 31 March 2007	36,930	35,564	19,863	(66,586)	—	25,771

1. BASIS OF PREPARATION

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

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

The adoption of new/revised HKFRS

In 2007, the Group adopted the amendments and interpretations of HKFRS below, which are relevant to its operations:

HKAS 19 Amendments	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendments	Net Investment in a Foreign Operation
HKAS 27 Amendments	Consolidated and Separate Financial Statements Amendments as a consequence of the Companies (Amendments) Ordinance 2005
HKAS 39 Amendments	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendments	The Fair Value Option
HKAS 39 and HKFRS 4 Amendments	Financial Guarantee Contracts
HK (IFRIC) — Int 4	Determining whether an Arrangement contains a Lease
HK (IFRIC) — Int 8	Scope of HKFRS 2 (effective from 1 May 2006)

The Group has assessed the impact of the adoption of these amendments and interpretations and considered that there was no significant impact on the Group's results and equity for the current or prior accounting periods.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

The HKICPA has issued certain new standards, amendments and interpretations which are relevant to the Group's operations and financial statements and are mandatory for the Group's accounting periods beginning on or after 1 April 2007 or later periods as follows:

Effective from 1 April 2007

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures (effective from 1 January 2007)
HK (IFRIC) — Int 9	Reassessment of Embedded Derivatives (effective from 1 June 2006)
HK (IFRIC) — Int 10	Interim Reporting and Impairment (effective from 1 November 2006)
HK (IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions (effective 1 March 2007)
HKFRS 7	Financial Instruments: Disclosures (effective 1 January 2007)

Effective from 1 April 2009

HKFRS 8 Operating Segments (effective from 1 January 2009)

The Group has not early adopted the above standards, amendments and interpretations and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of these financial statements will be resulted.

2. TURNOVER, OTHER INCOME AND GAINS, NET AND SEGMENT INFORMATION

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

	2007	2006
	HK$'000	*HK$'000*
Turnover		
Service fees from provision of mobile data solutions and related services	**21,717**	20,982
Other income		
Interest income	**456**	325
Excess of fair value of net assets acquired over consideration recognised as income	**—**	28
Waiver of loan due from a minority shareholder of a subsidiary	**—**	553
Sundry income	**775**	177
	1,231	1,083
Gains, net		
Gains on disposal of subsidiaries	**8,960**	—
	31,908	22,065

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/ Macao 2007 *HK$'000*	Australia 2007 *HK$'000*	Malaysia 2007 *HK$'000*	Singapore 2007 *HK$'000*	Taiwan 2007 *HK$'000*	Others* 2007 *HK$'000*	Total 2007 *HK$'000*
Turnover	**12,944**	**7,096**	**—**	**1,032**	**566**	**79**	**21,717**
Segment results	**813**	**335**	**—**	**156**	**(225)**	**32**	**1,111**
Unallocated costs							**(1,683)**
Gains on disposal of subsidiaries							**8,960**
Operating profit							**8,388**
Finance costs							**(8)**
Share of profit of an associate							**105**
Share of loss of a jointly controlled entity							**(1)**
Profit before taxation							**8,484**
Taxation							**(261)**
Profit for the year							**8,223**
Profit attributable to equity holders							**7,849**
Minority interests							**374**
							8,223
Segment assets	**6,126**	**—**	**—**	**—**	**157**	**—**	**6,283**
Interest in an associate							**6,139**
Unallocated assets							**16,789**
Total assets							**29,211**
Segment liabilities	**(2,781)**	**—**	**—**	**—**	**(22)**	**—**	**(2,803)**
Unallocated liabilities							**(637)**
Total liabilities							**(3,440)**
Capital expenditure	**75**	**—**	**—**	**—**	**—**	**—**	**75**
Depreciation of property, plant and equipment	**88**	**3**	**—**	**3**	**—**	**—**	**94**

	Hong Kong/ Macao 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

* Others represent turnover generated from Thailand and Vietnam.

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

3. OPERATING PROFIT/(LOSS)

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

	2007	2006
	HK$'000	*HK$'000*
Auditor's remuneration		
— Current year	**233**	314
— Under-provision in prior year	**24**	—
Depreciation of property, plant and equipment	**94**	148
Staff costs, including directors' emoluments and amount classified as research and development expenses	**6,274**	6,706
Net exchange (gain)/loss	**(572)**	1
Operating lease rentals of premises and facilities	**1,123**	624
Impairment for bad and doubtful debts	**924**	—
Share of associate's taxation	**30**	—

4. TAXATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and, accordingly, is exempted from Cayman Islands income tax. Subsidiaries incorporated in the British Virgin Islands were exempted companies with limited liability under the Companies Law of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

No provision for Hong Kong profits tax is made in the financial statements as the Group has sufficient tax losses brought forward available to offset the current estimated profits (2006: 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.

	2007	2006
	HK$'000	*HK$'000*
Current tax		
— Hong Kong Profits tax	**—**	—
— Overseas taxation	**261**	224
Taxation charge	**261**	224

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the domestic taxation rates applicable to profit/(loss) of the consolidated companies is as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**8,484**	(1,037)
Calculated at a taxation rate of 17.5% (2006: 17.5%)	**1,485**	(181)
Tax effect of income not subject to taxation	**(1,643)**	(215)
Tax effect of expenses not deductible for taxation purposes	**660**	503
Tax effect of temporary differences for the year unrecognised	**(2)**	(16)
Tax effect of tax losses for the year unrecognised	**21**	157
Tax effect of utilisation of previously unrecognised tax losses	**(345)**	(113)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**85**	89
Taxation charge	**261**	224

5. DIVIDENDS

No dividend was paid or declared by the Company or any of its subsidiaries during the year (2006: Nil).

6. EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share is calculated by dividing the profit/(loss) for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
	HK$'000	*HK$'000*
Profit/(loss) attributable to equity holders of the Company	**7,849**	(1,322)
Weighted average number of ordinary shares in issue	**472,811,363**	465,772,375
Basic earnings/(losses) per share	**1.66 cents**	(0.28) cents

(b) Diluted earnings per share

The diluted earnings per share is calculated by dividing the profit for the year and on the weighted average number of ordinary shares, being the weighted average number of ordinary shares in issue during the year as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the year.

	2007
	HK$'000
Profit for the year, used in the basic and diluted earnings per share calculation	**7,849**
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**472,811,363**
Weighted average number of ordinary shares issued at no consideration on deemed exercise of all shares options outstanding during the year	**10,258,113**
	483,069,476
Diluted earnings per share	**1.62 cents**

No diluted losses per share for the year ended 31 March 2006 were presented as the outstanding share options and convertible notes for the said year on the basic losses per share had anti-dilutive effect.

7. TRADE RECEIVABLES

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

	2007	2006
	HK$'000	*HK$'000*
0 to 30 days	**1,265**	2,812
31 to 60 days	**434**	458
61 to 90 days	**45**	312
91 to 180 days	**124**	347
Over 180 days	**199**	302
	2,067	4,231

8. TRADE PAYABLES

The aging analysis of trade payables is as follows:

	2007	2006
	HK$'000	*HK$'000*
0 to 30 days	**803**	388
31 to 60 days	**414**	544
61 to 90 days	**178**	462
Over 90 days	**535**	1,435
	1,930	2,829

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group turnover for the year ended 31 March 2007 increased by 3.5% over the previous financial year to HK$21,717,000. Profit attributable to shareholders of the Group was HK$7,849,000, increased by HK$9,171,000 over the previous financial year primarily as a result of the gain on disposal of a subsidiary Mobilemode. The market of mobile entertainment business is become more competitive which resulting a slightly decrease of the gross margin from 41.6% to 39.8%. Basic earnings per share were 1.66 cents compared to basic loss per share was 0.28 cents in the financial year 2005/2006.

Business Review

As a pioneer in the Asian mobile data market, the Group recognizes the importance and the potential of mobile entertainment but also its risk as a young industry. The Group's main focus is coordinating the rights to distribute relevant content via the region's mobile operators' networks. The Group connects content and services through its' own patented GloDan distribution network. In this fiscal year, the Group has completed the disposal of a subsidiary company Mobilemode Limited to further unify the Group's content and service distributions. Previously, there were some confusion by the network operators as to the territorial coverage of the Group and Mobilemode Limited.

By capturing the financial gain on the disposal of Mobilemode Limited, the Group is in a much stronger position to expand into the PRC market. The Group has cooperated with the biggest operator, the China Mobile Communications Corporation in China, providing various services first in the Guangdong province and working comprehensively with China Mobile (Guangdong) in areas include brand promotion, value added services provision, etc. 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.

In addition, the Group is pleased to announce that MTel China has signed a significant exclusive contract with China Mobile (Guangdong), continuing on the promotion and operation of China Mobile (Guangdong)'s M-Zone brand for 3 more years. The Group shall act as the enabler to develop all various SMS, MMS, WAP, Ringback-tone, Interactive Voice Recognition, and EDGE mobile values added services to all China Mobile (Guangdong) users. MTel China has also won the bid for China Mobile (Guangdong)'s Portal Design contract where MTel China will continue to cooperate closely with China Mobile (Guangdong) in both the Internet and mobile services. In particular, for our Products Initiation and Operations Consulting Service with China Mobile (Guangdong), we provide key Products Life Cycles Process Evaluation and Diagnostic Improvement services. MTel China also undertakes the planning and design work of China Mobile (Guangdong)'s special projects on WAP, SMS and Self-service Terminal Electronic Channels.

The Group was ranked 38th on the 2006 Top 100 of the most influence and innovation enterprises award in China. The ranking is recognizing the Group'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).

Despite the intense competition in the other Asia market, the Group has also been able to offer a full range of multi-media services and business know-how to the operators throughout Southeast Asia. Under our strong portfolios and dominated position in 3G service provisioning in Hong Kong and Macao, the Group has successfully extended our services in the past year to Sri Lanka, Vietnam and Indonesia.

In the Hong Kong 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 entered into major partnerships with over 60 games developers and obtaining the rights to distribute their games on the region's mobile networks. The Group further assists our game partners to enter the other 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. 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 is also scaling its game hosting business to serve the various channels & exploring new markets such as China, Indonesia, Vietnam, Sir Lanka, etc. In this regard, more operators consider outsourcing their existing data products and services to independent third parties. The Group has benefited by this trend and has won several outsourcing projects from operators in this region.

For example, Macao CTM, the largest operator in Macao, 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 arena to assist 3HK to operate the games and numerous other value added business 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 on wireless distribution of its rich content pool that brings iconic Warner Bros. Mobile to 3G and 2G mobile users in Hong Kong. Thru our Goldan network, Warner Bros Mobile has recently been made available to Hong Kong subscribers of all network operators and the services are also 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 dominating the premium information service revenue for the premium content market. The Group collaborates with the National Basketball Association, to launch the 1st 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. This first of its kind service has attracted Adidas Hong Kong to become a sponsor of NBA Mobile with 3HK and offers additional premiums to stimulate the users' excitement.

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 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.

Prospect

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 plan to focus on expanding its PRC position in the 3G service provisioning including opening more offices in various provinces and expand content aggregation including IP rights management for the Group's partners. 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, Malaysia, 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 continues to operate its 3G services in Malaysia and Singapore and plan to expand our offerings to more operators there. 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.

Liquidity and Financial Resources

The disposal of Mobilemode in August 2006 improved the group financial position. As at 31 March 2007, the Group had net current assets of approximately HK$19,493,000 (2006: HK$12,642,000), of which approximately HK$20,072,000 (2006: HK$14,068,000) were bank balances and cash. The Group's other current assets recorded at 31 March 2007 mainly comprised approximately HK$2,861,000 in account receivable, other receivable, deposit and prepayment, showing a decrease of 52.5% when compared with previous financial year. Current liabilities of the Group decreased by 53.8% and amounted to HK$3,440,000 as at 31 March 2007.

The Group generally financed its operations with its internally generated cash flows. 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 0.13 as at 31 March 2007 (2006: 0.42). As a result of disposal of Mobilemode, total liabilities decreased by HK$4,012,000 as well as the equity base of the Group improved by HK$7,185,000.

Foreign Exchange Exposure

The income and expenditure of the Group are denominated in Hong Kong dollars, New Taiwan dollars, Australian dollars, and Renminbi, the exchange rate risks of the Group were considered to be minimal. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

Capital Structure

There was no change in the capital structure of the Group as at 31 March 2007 as compared with that as at 31 March 2006.

Material Acquisition and Disposal

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

Save as disclosed above, the Group had no material acquisitions or disposals during the year.

Charges on the Group's Assets

As at 31 March 2007, the Group did not have any charges on the Group's assets.

Contingent Liabilities

As at 31 March 2007, the Group did not have any contingent liabilities.

Employee Information

As at 31 March 2007, the Group had a total of 14 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$6,274,000 for the year ended 31 March 2007 (2006: HK$6,706,000). 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practice (the "Code") except code provision A2.1 and A4.2, as set out in Appendix 15 of the GEM Listing Rules for the year ended 31 March 2007.

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

Code Provision A4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Pursuant to the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third) shall retire from office by rotation provided that notwithstanding anything herein, the chairman of the Board and /or the managing director of the Company shall not, whilst holding such office, be subject to retirement by rotation or be taken into account in determining the number of Directors to retire in each year. The Company is a small company with only two executive directors playing key management role. The Chairman of the Board and Executive Director, Dr. Chan Chung, is the founder and the largest shareholder of the Company, and his continuing leadership on the Board is important for the stable operation of the Company. The Management considers that there is no imminent need to amend the articles of association of the Company and concurs that the Chairman need not be subjected to retirement by rotation.

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members comprising all independent non-executive directors namely Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Mr. Chen Kwok Wang. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. During the year, the audit committee has met four times to review the Company's financial reporting process. The Company's annual results for the year ended 31 March 2007 have been reviewed by the audit committee of the Company.

By order of the Board
Chan Chung
Chairman

Hong Kong, 6 June 2007

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

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