



MOBILE TELECOM NETWORK (HOLDINGS) LIMITED

流動電訊網絡（控股）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8266)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2008**

**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.

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The Stock Exchange takes no responsibility for the content of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

- Due to the effect of disposal of its subsidiary Mobilemode in August 2006, turnover was declined by 9.1% to HK\$19,742,000 as compared with the previous financial year.
- As a result of shifting focus to high margin outsourcing business, the margin of gross profit for the year has improved from 39.8% to 44.2%.
- Profit for the year attributable to the equity holders of the Company was decreased by 95.1% to HK\$382,000 in reason of gain on disposal of Mobilemode HK\$8,960,000 was recorded in previous financial year.
- Basic earnings per share was 0.08 cent for the year ended 31 March 2008 compared to basic earning per share of 1.66 cents for the corresponding period in the previous financial year.
- The Directors do not recommend the payment of a final dividend.

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 2008, together with the comparative figures for the corresponding year ended 31 March 2007 as follows:

| | <i>Notes</i> | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Turnover | 2 | 19,742 | 21,717 |
| Other income and gains, net | 2 | 941 | 10,191 |
| Telecom operators costs | | (11,017) | (13,074) |
| Employment costs | | (5,148) | (5,158) |
| Research and development expenses | | (1,496) | (1,116) |
| Depreciation of property, plant and equipment | | (114) | (94) |
| Other operating expenses | | (2,861) | (4,078) |
| Operating profit | 3 | 47 | 8,388 |
| Finance costs | | — | (8) |
| Share of profit of an associate | | 334 | 105 |
| Share of loss of a jointly controlled entity | | — | (1) |
| Profit before taxation | | 381 | 8,484 |
| Taxation | 4 | (8) | (261) |
| Profit for the year | | 373 | 8,223 |
| Attributable to: | | | |
| Equity holders of the Company | | 382 | 7,849 |
| Minority interests | | (9) | 374 |
| | | 373 | 8,223 |
| Earnings per share for profit attributable to the equity holders of the Company during the year | | | |
| — basic | 6 | 0.08 cent | 1.66 cents |
| — diluted | | 0.08 cent | 1.62 cents |

CONSOLIDATED BALANCE SHEET

At 31 March 2008

| | Notes | 2008 HK\$'000 | 2007 HK\$'000 |
|---|-------|----------------------|----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 162 | 139 |
| Interest in an associate | | <u>6,738</u> | <u>6,139</u> |
| | | <u>6,900</u> | <u>6,278</u> |
| Current assets | | | |
| Trade and other receivables | 7 | 3,695 | 2,861 |
| Cash and deposits with banks | | <u>20,019</u> | <u>20,072</u> |
| | | <u>23,714</u> | <u>22,933</u> |
| Total assets | | <u>30,614</u> | <u>29,211</u> |
| EQUITY | | | |
| Capital and reserves attributable to the equity holders of the Company | | | |
| Share capital | | 36,930 | 36,930 |
| Reserves | | <u>(10,470)</u> | <u>(11,159)</u> |
| Total equity | | <u>26,460</u> | <u>25,771</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 8 | <u>4,154</u> | <u>3,440</u> |
| Total liabilities | | <u>4,154</u> | <u>3,440</u> |
| Total equity and liabilities | | <u>30,614</u> | <u>29,211</u> |
| Net current assets | | <u>19,560</u> | <u>19,493</u> |
| Total assets less current liabilities | | <u>26,460</u> | <u>25,771</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

| | Attributable to equity holders of the Company | | | | | Total HK\$'000 |
|--|---|------------------------------|-------------------------------|-----------------------------------|-----------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Other reserves HK\$'000 | Accumulated losses HK\$'000 | Minority interests HK\$'000 | |
| Balance at 1 April 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 a 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 |
| Recognition of share option benefits at fair value | — | — | 277 | — | — | 277 |
| Currency translation differences | — | — | 30 | — | — | 30 |
| Acquisition of a subsidiary | — | — | — | — | 9 | 9 |
| Profit/(loss) for the year | — | — | — | 382 | (9) | 373 |
| Balance at 31 March 2008 | <u>36,930</u> | <u>35,564</u> | <u>20,170</u> | <u>(66,204)</u> | <u>—</u> | <u>26,460</u> |

Notes:

1. Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared under the historical cost convention.

Changes in accounting policies

The HKICPA has issued a number of new and revised HKFRS and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, “Financial instruments: Disclosures” and the amendment to HKAS 1 “Presentation of financial statements: Capital disclosures”, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, “Financial instruments: Disclosure and presentation”. These disclosures are provided throughout these financial statements.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group’s and the Company’s objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. Turnover, other income and gains, net and segment information

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

| | 2008 <i>HK\$’000</i> | 2007 <i>HK\$’000</i> |
|--|-------------------------|-------------------------|
| Turnover | | |
| Service fees from provision of mobile data solutions and related services | 19,606 | 21,717 |
| Provision of consultancy services | 136 | — |
| | <u>19,742</u> | <u>21,717</u> |
| | ----- | ----- |
| Other income | | |
| Interest income | 752 | 456 |
| Excess on fair value of net assets acquired over cost of acquisition of interest in a subsidiary | 13 | — |
| Sundry income | 124 | 775 |
| | <u>889</u> | <u>1,231</u> |
| | ----- | ----- |
| Gains, net | | |
| Exchange gains | 52 | — |
| Gains on disposal of subsidiaries | — | 8,960 |
| | <u>941</u> | <u>10,191</u> |
| | ----- | ----- |
| | <u><u>20,683</u></u> | <u><u>31,908</u></u> |

Primary reporting format — Business segments

No analysis of the Group's turnover and its contribution to profit before taxation by principal activities for the years ended 31 March 2008 and 2007 are presented as more than 90% of the Group's total revenue, results and total assets related to the business of mobile data solutions.

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

| | Hong Kong/ Macau 2008 HK\$'000 | Australia 2008 HK\$'000 | Singapore 2008 HK\$'000 | Taiwan 2008 HK\$'000 | Others* 2008 HK\$'000 | Total 2008 HK\$'000 |
|---|---|--|--|-------------------------------------|--------------------------------------|------------------------------------|
| Turnover | 18,734 | 357 | 1 | 382 | 268 | 19,742 |
| Segment results | 2,414 | 187 | — | (434) | (165) | 2,002 |
| Unallocated costs | | | | | | (1,955) |
| Operating profit | | | | | | 47 |
| Finance costs | | | | | | — |
| Share of profit of an associate | | | | | | 334 |
| Profit before taxation | | | | | | 381 |
| Taxation | | | | | | (8) |
| Profit for the year | | | | | | <u>373</u> |
| Profit attributable to equity holders | | | | | | 382 |
| Minority interests | | | | | | (9) |
| | | | | | | <u>373</u> |
| Segment assets | 6,137 | — | — | 129 | 56 | 6,322 |
| Interest in an associate | | | | | | 6,738 |
| Unallocated assets | | | | | | 17,554 |
| Total assets | | | | | | <u>30,614</u> |
| Segment liabilities | (3,857) | — | — | (40) | (104) | (4,001) |
| Unallocated liabilities | | | | | | (153) |
| Total liabilities | | | | | | <u>(4,154)</u> |
| Capital expenditure | 116 | — | — | — | — | 116 |
| Depreciation of property, plant and equipment | 110 | — | — | — | 4 | 114 |

| | Hong Kong/ Macau 2007 HK\$'000 | Australia 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 |

* Others represent turnover generated from Thailand, Vietnam, Indonesia, Malaysia and PRC.

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

3. Operating profit

Operating profit is stated after charging the followings:

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Auditors' remuneration | | |
| — Current year | 256 | 233 |
| — Under-provision in prior year | — | 24 |
| Depreciation of property, plant and equipment | 114 | 94 |
| Staff costs, including directors' emoluments and amount classified as research and development expenses | 6,644 | 6,274 |
| Operating lease rentals of premises and facilities | 1,160 | 1,123 |
| Allowance for impairment of bad and doubtful debts | — | 924 |
| Share of associate's taxation | 42 | 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 (2007: Nil). Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|---------------------|--------------------------------|-------------------------|
| Taxation charge | | |
| Current tax | | |
| — Overseas taxation | 8 | 261 |
| | ————— | ————— |

The taxation on the Group's profit 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:

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Profit before taxation | <u>381</u> | <u>8,484</u> |
| Calculated at a taxation rate of 17.5% (2007: 17.5%) | 67 | 1,485 |
| Tax effect of income not subject to taxation | (70) | (1,643) |
| Tax effect of expenses not deductible for taxation purposes | 387 | 660 |
| Tax effect of temporary differences for the year unrecognised | (4) | (2) |
| Tax effect of tax losses for the year unrecognised | 12 | 21 |
| Tax effect of utilisation of previously unrecognised tax losses | (502) | (345) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | <u>118</u> | <u>85</u> |
| Taxation charge | <u><u>8</u></u> | <u><u>261</u></u> |

5. Dividends

No dividend was paid or declared by the Company or any of its subsidiaries during the year (2007: Nil).

6. Earnings per share

(a) *Basic earnings per share*

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

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Profit attributable to equity holders of the Company | <u>382</u> | <u>7,849</u> |
| Weighted average number of ordinary shares in issue | <u>472,811,363</u> | <u>472,811,363</u> |
| Basic earnings per share | <u>0.08 cent</u> | <u>1.66 cents</u> |

(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.

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|--|--------------------------------|-------------------------|
| Profit for the year, used in the basic and diluted earnings per share calculation | <u>382</u> | <u>7,849</u> |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | 472,811,363 | 472,811,363 |
| Weighted average number of ordinary shares issued at no consideration on deemed exercise of all shares options outstanding during the year | <u>6,010,138</u> | <u>10,258,113</u> |
| | <u>478,821,501</u> | <u>483,069,476</u> |
| Diluted earnings per share | <u>0.08 cent</u> | <u>1.62 cents</u> |

7. **Trade receivables**

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

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|---------------|--------------------------------|-------------------------|
| 0 to 30 days | 1,556 | 1,265 |
| 31 to 60 days | 354 | 434 |
| 61 to 90 days | 29 | 45 |
| Over 90 days | <u>477</u> | <u>323</u> |
| | <u>2,416</u> | <u>2,067</u> |

8. Trade payables

At 31 March 2008 and 2007, the ageing analysis of trade payables is as follows:

| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 0 to 30 days | 994 | 803 |
| 31 to 60 days | 383 | 414 |
| 61 to 90 days | 134 | 178 |
| Over 90 days | 1,087 | 535 |
| | <u>2,598</u> | <u>1,930</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Mobile Telecom Network (Holdings) Limited has remained profitable for the financial year 2007/2008. The turnover for the year has declined by 9.1% as compared with the previous financial year due to the effect of sale of its subsidiary Mobilemode in August 2006. The turnover of the Group has actually grown 15.7% during the period for the six months October 2007 to March 2008 as compared with same period for financial year 2006/2007 subtracting out the contribution from Mobilemode. The margin of gross profit has also improved by 4.4% as a result of shifting focus to high margin outsourcing business. Profit for the year attributable to the equity holders of the Company was actually increased to HK\$382,000 as compared with the previous financial year where a net loss of HK\$1,111,000 will be recorded if eliminating the effect of gain on disposal of Mobilemode. If included the disposal gain of Mobilemode, the profit for the year attributable to the equity holders of the Company actually decreased by 95.1%. The Directors do not recommend the payment of a final dividend.

Business Review

The Group is a technology leader in the greater China area for the provisioning of multimedia 2.5G & 3G mobility services. The Group's applications for entertainment and informational content are extremely popular among the younger generation. We have coordinated the rights from branded content owners to distribute relevant content via the region's mobile operators' networks. The content and services are being connected through our patented GloDan distribution system.

We have been cooperating with the biggest operator in China, the China Mobile Communications Corporation, for providing various services starting in the Guangdong province and working comprehensively with China Mobile Guangdong in areas include brand promotion, value-added services provision, etc. In particular, we are continuing on the promotion and operation of China Mobile (Guangdong)'s M-Zone brand for 3 more years. The Group acts as an enabler to develop all various SMS, MMS, WAP, Ringback-tone, Interactive Voice Recognition, and EDGE mobile value-added services (MVAS) to all China Mobile (Guangdong) users. Recent projects include the developments of e-channels and new businesses. On e-channels development, the objective is the elevation of web portals, WAP business transaction and SMS business transaction volume. On new business development, the objective is the elevation of new products users for Fetion, mobile newspaper, mobile music, etc.

In the other 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 content portfolios and our large library of offerings in 3G service provisioning in Hong Kong and Macau, the Group has successfully extended and continually expanded our services to Malaysia, Pakistan, Singapore, Sri Lanka, Vietnam and Indonesia.

In the Hong Kong market, the Group launches the mobile football interactive gaming services with Hutchison 3HK and SmarTone-vodafone in early 2008. The Group starts to deploy mobile content services that focus on the interactive aspect and create unique applications that simulate users' interest and enjoyment. For mobile game business, the Group has entered into major partnerships with games & content developers to distribute their games & content on the region's mobile networks and we are now signing more than 80+ games & content developers. We further assist our games & content partners to enter the other Asian markets through the GloDan system to streamline the workflow of game launch. The Group has launched a JAVA Games Portal with Mobilink, the largest mobile subscribers in Pakistan market to deliver the latest JAVA games and a range of mobile value-added services. The Group will continue to provide exceptional service quality & efficiency in the MVAS business. This is likely to lead to more operators to collaborate with us in their MVAS operations.

The mobile entertainment segment is increasingly Internet bounded. The Group's Mobilesurf service platform for full entertainment service provisioning is relevant to this trend. Instead of a typical operator wall garden approach to content delivery, the launching of the i-phone brings Internet content such as YouTube & Google map mobile sites in a fashion that is similar to our Mobilesurf service platform. We plan to further expand our Mobilesurf platform to deliver content via the Internet and look for i-phone type opportunities in China.

Aparts from the licensed content business, the Group through Hutchison 3HK launched the first user-generated content service named SHOWME! which integrates mobile and internet service platform. SHOWME! (<http://www.showme.hk>) is an innovative blog service supporting 3G, 2G and I-mode mobile services under our service platform. The service has integrated full power of mobile and Internet such that at anytime and anyplace users can enjoy the pleasure and fun of blogging and communicating with friends. Users can publish articles, upload photos or videos to their own blog that can be viewed immediately. Contents are updated instantly to the mobile and Internet version. The platform includes a real-time multimedia decode/encode engine which let users share multimedia content across mobile and Internet platform on the fly. The Group partnerships with Jim Chim Sui-Man, the Hong Kong famous stage actor and comedian to launch an official Internet and Mobile Blog service with the joint promotion with PIP and 3HK of the Jim One Man Drama Show in January 2008 and the "A Midsummer Night's Dream" Drama Show in March 2008. SHOWME! is supported by a substantial multi-media marketing campaign across consumer magazine, movie distributors and radio station etc. The objective is to recruit more target audience in different segments in order to leverage the SHOWME! platform. Because of this platform, we have been awarded the Best Ubiquitous Networking (Mobile Infotainment Application) Certificate of Merit in Hong Kong ICT Awards 2007.

Mobile games, which we first started as an operator outsourcing business, now grow to become a major MVAS platform for us. The Group is also scaling its game hosting business to serve the various channels & exploring new markets such as China, Indonesia, Pakistan, Vietnam, Sri 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, 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 3HK also recognise the Group of its experience and expertise in gaming business and consider the Group as the key player in this arena to assist 3HK to operate the games and numerous other MVAS business in both 2G and 3G markets.

The Group has formed a partnership with Bandai to distribute Bandai content on wireless distribution of its rich content pool that brings iconic branded titles such as Tamagotchi and Gundam content to 3G and 2G mobile users in Hong Kong and other countries. Thru our GloDan network, Marvel Mobile has recently been made available to Hong Kong subscribers and the services are also available in various forms, including graphic images, audio 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, personalised and located to the market.

The mobile entertainment experience has been becoming richer and user-friendlier thus delivering more real value for the subscribers. In this period, the Group has worked with The Total Sports Asia, a leading sports media agent, to deliver its branded sport content and Interactive gaming in the region. By becoming a leader in 3G services provisioning in the advance mobile markets such as Australia, Hong Kong, Macau, Singapore & Taiwan, the Group continues to strengthen its position in the region. We also continue to deploy new 2G services into the newer market such as Indonesia, Vietnam, Sri Lanka, etc. in order to fully utilise our past developments & services.

Prospect

The mobile entertainment market is getting increasingly competitive with major corporations creating new companies or divisions to enter this market in a major way. The Group will explore new opportunities to diversify its main dependence on mobile service provisioning. We 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. We also plan to look more aggressively at partnerships or acquisitions particularly for the Chinese market. It is widely expected that China will issue one or more 3G licenses very soon. We have expanded our PRC position by forming a joint venture operation in Beijing and continued exploring opportunities in various provinces and other mobile related businesses.

We expand content aggregation business to include IP rights management for our partners. For some of the new market such as Vietnam, Sri Lanka, and Indonesia, the Group will plan to act as a master content aggregator on behalf with the local operators and defined the solid business cases for them in order to maximise the revenue and minimise the resources allocation. In addition, the Group will also share its experience and strategy of our successful services with operators in new market in order to achieve the mutual benefit between both parties.

For the more advanced 3G markets such as Australia, Hong Kong, Malaysia, Singapore and Taiwan, the Group believes diversification of multi-media with interactive 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 plans to expand our offerings to more operators there. The Group will develop applications and create more interactive services with the 3G operators to bring 3G technologies to the business and the consumer markets. Once the market acceptance has adopted and increased more traffic in hit rates of individual service, the mobile advertising will be the next curve into the business.

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 blogging & messaging with the subscribers in combination with easily downloading clips from films, music, sports and information services channels. The Group believes SHOWME!, the user-generated content revolution has begun and will become into a mainstream business in mobile arena.

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 behaviors 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 totaling 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, Pakistan, Indonesia or any other new potential markets for business cooperation.

Youth targeted lifestyle applications & services such as dating services, mobile blogging, and mobile comics are also gaining popularity in Hong Kong. Operators are expecting a high demand for Internet-based, interactive, multimedia mobile communication services such as chat, video and interactive games in the near term. Although Hong Kong is still a small market, the Group is expected to achieve a high growth in the medium term. Two main drivers for the growth would be popularity of the mobile gaming and mobile blogging. In term of Internet strategy, the Group believes the trend to deliver the same communication services to end-user over both Internet and mobile networks will determine the future access. The Group shall extend our force to explore with the strategic partnerships to extend its services into Internet platform as extension.

The uptake of 3G services into 3.5G technologies will also bring a shift in the dynamics of the market in Asia. As the market is likely to move to a more advanced Internet and multimedia-based content, we plan to ride on our existing advantages and experience to provide a variety of rich-media content with operators across the Asia market. The overview revenue in other markets is expected to achieve a high growth in the next quarter over the forecast period.

In future business development in China, the Group will continue to participate in China Mobile (Guangdong)'s M-Zone annual event, which started in August 2007 and the cooperation with China Mobile (Shenzhen) on its WAP Online Business Centre. 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. As scheduled for the first quarter of 2008, we will start the Fetion promotion planning, e-channels promotion planning, Internet banking add-value/payment promotion planning.

The Group is focusing its business to serve the various brands to mobilise 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 optimised 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. We continue to work steadily with partners in other regions such as Korea, Indonesia, the Philippines, Sri Lanka, Pakistan, Thailand and Vietnam. We plan to develop our 2G & 3G services in term of advances in technology, customer services, user experience and quality of services as our strongest differentiation from any competitors in the region.

Liquidity and Financial Resources

The Group maintains a stable financial position. As at 31 March 2008, the Group had net current assets of approximately HK\$19,560,000 (2007: HK\$19,493,000), of which approximately HK\$20,019,000 (2007: HK\$20,072,000) were cash and deposits with banks. The Group's other current assets recorded at 31 March 2008 mainly comprised approximately HK\$3,695,000 in trade receivables, other receivables, deposits and prepayments which increased by 29.1% when compared with previous financial year. Current liabilities of the Group increased by 20.7% amounted to HK\$4,154,000. The Group did not have any long-term liabilities as at 31 March 2008.

The Group generally financed its operations with its internally generated cash flow. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital.

Gearing Ratio

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.16 as at 31 March 2008 (2007: 0.13).

Foreign Exchange Exposure

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

Capital Structure

There was no change in the capital structure of the Group as at 31 March 2008 as compared with that as at 31 March 2007.

Material Acquisition and Disposal

As at 31 March 2008, the Group had no material acquisition or disposal during the year.

Charges on the Group's Assets

As at 31 March 2008, the Group did not have any charges on the Group's assets.

Contingent Liabilities

As at 31 March 2008, the Group did not have any contingent liabilities.

Employee Information

As at 31 March 2008, the Group had a total of 20 employees in Hong Kong and China. 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\$6,644,000 for the year ended 31 March 2008 (2007: HK\$6,274,000). 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 2008.

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, Eric, Mr. Chen Kwok Wang, Kester. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and

maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. 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 2008 have been reviewed by the audit committee of the Company.

By order of the Board

Chan Chung

Chairman

Hong Kong, 16 June 2008

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, Eric and Mr. Chen Kwok Wang, Kester.

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.