



# Mobile Telecom Network (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8266

• interim report 2008



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

## RESULTS

The board of Directors (the "Directors") of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 September 2008, together with the unaudited comparative figures for the corresponding periods in 2007 as follows:

### UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 SEPTEMBER 2008

	Notes	Three months ended 30 September		Six months ended 30 September	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
<b>Turnover</b>	2	<b>5,291</b>	5,019	<b>10,174</b>	9,854
Other income		<b>84</b>	198	<b>250</b>	401
Telecom operators costs		<b>(2,688)</b>	(2,758)	<b>(5,292)</b>	(5,458)
Employment costs		<b>(1,407)</b>	(1,191)	<b>(2,764)</b>	(2,357)
Research and development expenses		<b>(450)</b>	(403)	<b>(846)</b>	(775)
Depreciation of property, plant and equipment		<b>(28)</b>	(29)	<b>(54)</b>	(53)
Other operating expenses		<b>(766)</b>	(761)	<b>(1,401)</b>	(1,417)
<b>Operating profit</b>		<b>36</b>	75	<b>67</b>	195
Finance costs		-	-	-	-
Share of profit of an associate		<b>326</b>	19	<b>438</b>	136
<b>Profit before taxation</b>		<b>362</b>	94	<b>505</b>	331
Taxation	3	-	-	-	-
<b>Profit for the period</b>		<b>362</b>	94	<b>505</b>	331
<b>Attributable to:</b>					
Equity holders of the Company		<b>362</b>	38	<b>505</b>	263
Minority interests		-	56	-	68
		<b>362</b>	94	<b>505</b>	331
<b>Earnings per share for profit for the period attributable to the equity holders of the Company</b>	4				
- basic (HK cent)		<b>0.076</b>	0.008	<b>0.107</b>	0.055
- diluted (HK cent)		<b>0.076</b>	0.008	<b>0.106</b>	0.054

# CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2008

	<i>Notes</i>	<b>Unaudited 30 September 2008 HK\$'000</b>	Audited 31 March 2008 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>328</b>	162
Interest in an associate	5	<b>7,474</b>	6,738
		<b>7,802</b>	6,900
<b>Current assets</b>			
Trade and other receivables	6	<b>3,420</b>	3,695
Cash and deposits with banks		<b>19,790</b>	20,019
		<b>23,210</b>	23,714
<b>Total assets</b>		<b>31,012</b>	30,614
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	8	<b>36,977</b>	36,930
Reserves		<b>(9,938)</b>	(10,470)
<b>Total equity</b>		<b>27,039</b>	26,460
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	7	<b>3,973</b>	4,154
<b>Total liabilities</b>		<b>3,973</b>	4,154
<b>Total equity and liabilities</b>		<b>31,012</b>	30,614
<b>Net current assets</b>		<b>19,237</b>	19,560
<b>Total assets less current liabilities</b>		<b>27,039</b>	26,460

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Unaudited									
	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Capital redemption reserve	Cumulative translation adjustment	Share-based payment reserve	Accumulated losses	Total	Minority interests	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 April 2007</b>	36,930	35,564	16,375	2,943	510	35	(66,586)	25,771	-	25,771
Profit for the period	-	-	-	-	-	-	263	263	76	339
<b>Balance at 30 September 2007</b>	<b>36,930</b>	<b>35,564</b>	<b>16,375</b>	<b>2,943</b>	<b>510</b>	<b>35</b>	<b>(66,323)</b>	<b>26,034</b>	<b>76</b>	<b>26,110</b>
<b>Balance at 1 April 2008</b>	36,930	35,564	16,375	2,943	540	312	(66,204)	26,460	-	26,460
Issue of shares under share option scheme	47	19	-	-	-	(12)	-	54	-	54
Share options lapsed during the period	-	12	-	-	-	(12)	-	-	-	-
Currency translation differences	-	-	-	-	20	-	-	20	-	20
Profit for the period	-	-	-	-	-	-	505	505	-	505
<b>Balance at 30 September 2008</b>	<b>36,977</b>	<b>35,595</b>	<b>16,375</b>	<b>2,943</b>	<b>560</b>	<b>288</b>	<b>(65,699)</b>	<b>27,039</b>	<b>-</b>	<b>27,039</b>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Unaudited Six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000
Net cash generated from/(used in) operating activities	54	(160)
Net cash (used in)/generated from investing activities	(357)	222
Net cash generated from financing activities	54	–
Net (decrease)/increase in cash and cash equivalents	(249)	62
Cash and cash equivalents at 1 April	20,019	20,072
Effect of foreign exchange rates changes	20	–
Cash and cash equivalents at 30 September	19,790	20,134

# NOTES TO THE CONDENSED INTERIM ACCOUNTS:

## 1. Basis of preparation

The unaudited interim financial statements for the six months ended 30 September 2008 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited.

These interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2008. They have been prepared on the historical cost basis.

The accounting policies applied in preparing these interim financial statements are consistent with those applied in preparing the Group’s financial statements for the year ended 31 March 2008. The new/revised Hong Kong Financial Reporting Standards (“HKFRS”), which collective term includes all applicable individual HKFRS, HKAS, and Interpretations issued by the HKICPA, that are effective from the current period and do not have any significant impact on the financial position or performance of the Group.

The Group has not early adopted the new/revised HKFRS issued by the HKICPA that are not yet effective for the current period. The Group has already commenced an assessment of the impact of these new/revised HKFRS but is not yet in a position to state whether they would have any significant impact on its results of operation and financial position.

## 2. Segment information

### ***Primary reporting format – Business segments***

No analysis of the Group’s turnover and its contribution to profit before taxation by principal activities for the period is presented as more than 90% of the Group’s total revenue, results and total assets related to the business of mobile data solutions.

## Secondary reporting format – geographical segments

An analysis of the Group's turnover and results for the six months ended 30 September 2008 by geographical locations is as follow:

	Unaudited						
	Hong Kong/ Macau 2008 HK\$'000	Australia 2008 HK\$'000	PRC 2008 HK\$'000	Singapore 2008 HK\$'000	Taiwan 2008 HK\$'000	Others* 2008 HK\$'000	Total 2008 HK\$'000
	Turnover	9,576	108	70	132	144	144
Segment results	1,274	43	(63)	79	(340)	30	1,023
Unallocated costs							(956)
Operating profit							67
Finance costs							-
Share of profit of an associate	-	-	438	-	-	-	438
Profit before taxation							505
Taxation							-
Profit for the period							505
Segment assets	5,443	-	169	-	139	-	5,751
Interest in an associate	-	-	7,474	-	-	-	7,474
Unallocated assets							17,787
Total assets							31,012
Segment liabilities	(3,480)	-	(143)	-	(27)	-	(3,650)
Unallocated liabilities							(323)
Total liabilities							(3,973)
Capital expenditure	186	-	-	-	-	-	186
Depreciation of property, plant and equipment	51	-	3	-	-	-	54



An analysis of the Group's turnover and results for the six months ended 30 September 2007 by geographical locations is as follow:

	Unaudited						Total 2007 HK\$'000
	Hong Kong/ Macau 2007 HK\$'000	Australia 2007 HK\$'000	PRC 2007 HK\$'000	Singapore 2007 HK\$'000	Taiwan 2007 HK\$'000	Others* 2007 HK\$'000	
	Turnover	9,284	190	123	13	200	
Segment results	974	93	(109)	11	(183)	11	797
Unallocated costs							(602)
Operating profit							195
Finance costs							-
Share of profit of an associate	-	-	136	-	-	-	136
Profit before taxation							331
Taxation							-
Profit for the period							331
Segment assets	6,042	-	32	-	142	-	6,216
Interest in an associate	-	-	6,350	-	-	-	6,350
Unallocated assets							17,115
Total assets							29,681
Segment liabilities	(3,184)	-	(38)	-	(30)	-	(3,252)
Unallocated liabilities							(319)
Total liabilities							(3,571)
Capital expenditure	86	-	-	-	-	-	86
Depreciation of property, plant and equipment	51	-	2	-	-	-	53

\* *Others represent turnover generated from Thailand and Vietnam.*

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

### 3. Taxation

No provision for Hong Kong Profits Tax is made in the financial statements as the Group has sufficient tax losses brought forward available to offset the current estimated profit (2007: 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.

### 4. Earnings per share

#### (a) *Basic earnings per share*

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

	Unaudited			
	Three months ended 30 September		Six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Profit for the period attributable to equity holders of the Company	<u>362</u>	<u>38</u>	<u>505</u>	<u>263</u>
Weighted average number of ordinary shares in issue during the period	<u>473,060,543</u>	<u>472,811,363</u>	<u>473,060,543</u>	<u>472,811,363</u>
Basic earnings per share	<u>0.076 cents</u>	<u>0.008 cents</u>	<u>0.107 cents</u>	<u>0.055 cents</u>

## (b) Diluted earnings per share

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

	Unaudited			
	Three months ended 30 September		Six months ended 30 September	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Profit for the period attributable to equity holders of the Company	<u>362</u>	<u>38</u>	<u>505</u>	<u>263</u>
Weighted average number of ordinary shares in issue during the period	<u>473,060,543</u>	<u>472,811,363</u>	<u>473,060,543</u>	<u>472,811,363</u>
Weighted average number of ordinary shares issued at no consideration on the deemed exercise of all shares options outstanding during the period	<u>3,872,118</u>	<u>10,258,113</u>	<u>3,872,118</u>	<u>10,258,113</u>
	<u>476,932,661</u>	<u>483,069,476</u>	<u>476,932,661</u>	<u>483,069,476</u>
Diluted earnings per share	<u>0.076 cents</u>	<u>0.008 cents</u>	<u>0.106 cents</u>	<u>0.054 cents</u>

## 5. Interest in an associate

	Unaudited 30 September 2008 HK\$'000	Audited 31 March 2008 HK\$'000
Share of net assets	<u>1,530</u>	<u>764</u>
Goodwill	<u>5,250</u>	<u>5,250</u>
	<u>6,780</u>	<u>6,014</u>
Due from an associate	<u>694</u>	<u>724</u>
	<u>7,474</u>	<u>6,738</u>

- (a) The amount due from an associate is unsecured, non-interest bearing and has no repayment term.
- (b) The Group's interest in its associate, which is unlisted and engaged in development and provision of mobile data solutions and related services in the PRC, is as follows:

Name	Place of registration	Assets	Liabilities	Revenue	Profit	Interest held
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
廣州流之動資訊技術有限公司	PRC	3,995	846	3,223	1,034	43.3

## 6. Trade and other receivables

	<b>Unaudited 30 September 2008 HK\$'000</b>	Audited 31 March 2008 HK\$'000
Trade receivables	<b>2,708</b>	2,416
Less: Provision for impairment of receivables	–	–
Trade receivables – net	<b>2,708</b>	2,416
Prepayments, other receivables and deposits	<b>712</b>	1,279
Less: Impairment losses	–	–
	<b>712</b>	1,279
	<b>3,420</b>	3,695

The fair values of trade and other receivables under current assets approximate to their carrying amounts.

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

	<b>Unaudited 30 September 2008 HK\$'000</b>	Audited 31 March 2008 HK\$'000
0 to 30 days	<b>1,800</b>	1,556
31 to 60 days	<b>155</b>	354
61 to 90 days	<b>251</b>	29
Over 90 days	<b>502</b>	477
	<b>2,708</b>	2,416

## 7. Trade and other payables

	<b>Unaudited 30 September 2008 HK\$'000</b>	Audited 31 March 2008 HK\$'000
Trade payables	2,511	2,598
Accrued expenses	1,000	950
Other payables	431	594
Deposits received	31	12
	<b>3,973</b>	<b>4,154</b>

The aging analysis of trade payables is as follows:

	<b>Unaudited 30 September 2008 HK\$'000</b>	Audited 31 March 2008 HK\$'000
0 to 30 days	987	994
31 to 60 days	154	383
61 to 90 days	344	134
Over 90 days	1,026	1,087
	<b>2,511</b>	<b>2,598</b>

## 8. Share capital

	<b>Ordinary shares of US\$0.01 each Number of shares</b>	<b>Nominal value HK\$'000</b>
<i>Authorised:</i>		
At 1 April 2007 and 31 March 2008 (Audited)	2,000,000,000	156,000
At 1 April 2008 and 30 September 2008 (Unaudited)	2,000,000,000	156,000
<i>Issued:</i>		
At 1 April 2007 and 31 March 2008	472,811,363	36,930
At 1 April 2008 (Unaudited)	472,811,363	36,930
Issue of shares under share option scheme	600,000	47
At 30 September 2008 (Unaudited)	473,411,363	36,977

## 9. Interim dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2008 (2007: Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Performance

The Group has remained profitable for the period and recorded the turnover of the period increased by 3.2% compared with the same period last year. In light of the Group's continuous focus on high margin business, the margin of gross profit for the period has also been improved from 44.6% to 48.0% and the profit for the period has been increased by 52.6% to HK\$505,000.

## Business Review

For the first six months of the Group's financial year, the Group continue to develop new services and expand into new markets. The trend of the mobile data business, in which the Group operates, is to embrace the emerging new offerings such as the Apple 3G I-phones and mobile TV. We are participating in the launching of the I-phone services with HK3 in Hong Kong and also offering various mobile TV services across the region. In term of actual business model, the Group continues to focus in two main value drivers, the value added services business and the outsourcing business with the mobile operators in the Greater China and Asia Pacific markets.

The Group has developed a very strong position in the Sport & Entertainment Services for mobile users across the region through key partnerships with the leading global news agencies. The mobile entertainment experience has becoming richer and user-friendlier thus delivering more real value for the subscribers. Beginning June 2008, the Group has worked with the leading global news agencies to deliver the two major sports events with Euro 2008 football services and the Beijing Olympic 2008 services in the region including Hong Kong, Macau, Indonesia, Singapore, and Vietnam market. We also continue to deploy new services into Indonesia, Pakistan, Sir Lanka, etc. in order to fully utilize our unique GloDan (Global Data Network) network connections. We have coordinated the rights from branded content owners to distribute relevant content via the region's mobile operators' networks.

The Group is also becoming 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 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 into 2011.

The Group acts as the enabler to develop all various SMS, MMS, WAP, Ringback-tone, Interactive Voice Recognition, and EDGE mobile values 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.

Since last quarter we have been developing the nation-wide market in various key markets within China. Bids won include: China Mobile (Beijing) – China Mobile (Beijing) Web Portal; Self-service Terminal Design projects; China Mobile (Jiangsu) – Personal Information Portal Research Consultation project; China Mobile (Inner Mongolia) – Electronic Channels Planning, Operation and Promotion project. We continue to provide China Mobile with services based on the development of e-channels and data services.

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 the emerging markets including Malaysia, Pakistan, Singapore, Sri Lanka, Vietnam and Indonesia.

In the Hong Kong market, the Group has launched at least with 2 mobile interactive gaming services with mobile operators which targeting in different segment of mobile users including Sports, Gaming, and Lifestyles centric group of youth. The Group believes the interactive gaming service is the evolution of deploying mobile content services that focus on the interactive aspect and create unique applications that simulate users' interest and enjoyment. Those interactive gaming services are mainly associated with the key campaigns together with advertisers for sponsorship including the movie distributors, sports brands, etc. The results of those services indicate the response rate continues to grow both on the click rate together with the revenue into value added services. These partnerships include content providers, well known brands as well as mobile marketing partners.

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 90+ 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 and Dialog, the largest mobile subscribers in Pakistan and Sri Lanka market to deliver the latest JAVA games and a range of mobile value added services. Apart of single player JAVA Games, the Group has launched a series of multi-player JAVA games titles with Hong Kong CSL, the largest mobile operator in Hong Kong in July 2008. 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 You-tube & 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. The Group also partnered with Hutchison 3HK to launch four key value added services on 3G I-Phone that tie into the handset launching on July 11, 2008.

Apart 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. SHOWME! is supported by a substantial multi-media marketing campaign across consumer magazine, movie distributors and radio station etc. The latest campaign is the 1st launching of Eason Chan official blogsite, the famous Hong Kong singer, together with the competition campaign on Web and Mobile platform via on SHOWME! associated with the new Mandarin album released in June 2008. The objective is to recruit more targets audiences in different segments in order to leverage the SHOWME! Platform.



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, 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, 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 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 MVAS business in both 2G and 3G markets.

The Group has formed a partnership with several international content providers to distribute its branded content on wireless distribution of its rich content pool that brings iconic branded titles such as Garfield, Pink Panther, Forever Friends, Paul Franks, Astro Boy, Tamagotchi and Gundam content to 3G and 2G mobile users in Hong Kong and other countries. Through 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, personalized and located to the market.

In addition, the Group has developed a mobile yellow page system called – yp sms. It is a do-it-yourself internet-based system, enabling advertisers to create and broadcast SMS conveniently and cost effectively. This system was developed for PCCW Directories Limited. yp sms's easy-to-use navigation allows advertisers to import their database, schedule outgoing message release times, arrange to receive SMS replies and control payment – all helping advertisers to promote their products and services in a secure and convenient manner.

## **Prospect**

During the latter part of the year 2008 with the worldwide financial crisis, the Group will be strengthening our key business into our existing key markets. 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 also explore new opportunities to diversify its main dependence on mobile service provisioning. The outsourcing business seems to be a growing trend in periods of economical crises and the Group will focus to expand more in this direction.

We expand content aggregation business to include IP rights management for our partners. For some of the new market such as Philippines, 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 maximize the revenue and minimize 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. The Group has recently signed up with more content partners including established brands such as Star TV to distribute its programs in the region and the world's leading gaming companies.

For the more advance 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. In addition, the Group has formed and extended our focus into the mobile enterprise market which tackles into the vertical market with SME business. The Group believes it will be driven another new revenue stream both on recurrent and project based 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. The Group is ideally positioned to benefit from this development, as the Group is currently one of the largest 3G content providers with longest track record to provide 3G related services to operators in Hong Kong and it is also expected to be introduced soon in Singapore, Taiwan, and Malaysia especially with the Asian content for Chinese community in the region. 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. The scale in terms of both quantity of content and operators remains the Group's strongest differentiation point.

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 and new potential platform on 3G I-Phone 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, having anticipated 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 second quarter of 2008, we have been starting 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 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. 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.

## **Sales and Marketing Activities**

In Hong Kong and Taiwan, the Group operates with all the local network operators and performs its sales and marketing via the Hong Kong office and our Taiwanese subsidiary company. The Group has expanded its focus in the PRC and worked with China Mobile (Guangdong) via MTel China in Guangzhou. We plan to expand our PRC footprints by acquiring and/or forming strategic partnerships with relevant companies in China. Such local companies with local know-how will allow us to develop completely new and user-friendly services for the PRC market. We will streamline our distribution channel to deliver third party content even further to the growing PRC market. In addition, the Group will expand more professionals and operations in PRC team in order to support the operation and development in Hong Kong and overseas business. This move will let us further maximize the margin of our revenues with cost control and the potential of our service delivery engine that has been connected to the operators' infrastructure in Hong Kong and Macau for many years. To complete our connectivity with the major PRC provinces enable us to become the premier 3G services enabler in the PRC and regional markets.

The Group has also generated more and more of its revenue from its recurring and outsourcing business with telecommunication operators over the past year. The Group has expanded its business into download and streaming multimedia services including other video services in 2.5G, 2.75G and 3G networks together with the Live streaming capabilities in satellite delivery for Mobile TV services. In addition, the Group is now deploying more value-added services with other sales channels in Malaysia, Singapore, Indonesia, Sri Lanka, Pakistan, Taiwan and Vietnam. The Group believes that more existing MVAS business can be extended to more operators in Asia Pacific and will be expanding operation through partnership and/or acquisition in those countries.

The Group has been extending more proprietary applications into the interactive features on its MobileSurf platform. This extension allows the centralization of its GloDan network in Hong Kong as a major hub between network operators and content providers across Asia Pacific region. The Group has recently embarked more significantly on mobile marketing in conjunction with our existing value-added services for 2.5G & 3G.

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.

### ***Liquidity and Financial Resources***

The Group generally financed its operation and investment activities with internally generated cash flows. As at 30 September 2008, the Group had net current assets of approximately HK\$19,237,000 (as at 31 March 2008: approximately HK\$19,560,000), of which approximately HK\$19,790,000 (as at 31 March 2008: approximately to HK\$20,019,000) were cash and bank balances. The Directors are confident that the Group's existing financial resources will be sufficient to satisfy its commitments and working capital requirements.

### ***Gearing Ratio***

The gearing ratio of the Group, based on total liabilities to shareholders' equity, was 0.15 as at 30 September 2008 (as at 31 March 2008: 0.16).

### ***Foreign Exchange Exposure***

The income and expenditure of the Group are mainly denominated in Hong Kong 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.

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## ***Capital Structure***

There was no material change in the capital structure of the Group as at 30 September 2008 as compared with that as at 31 March 2008.

## ***Material Acquisitions/Disposal and Significant Investments***

The Group had no material acquisitions or disposals during the six-month period.

## ***Charges on Group's Assets***

As at 30 September 2008, the Group did not have any charges on the Group's assets.

## ***Contingent Liabilities***

As at 30 September 2008, the Group did not have any contingent liabilities.

## ***Employee Information***

As at 30 September 2008, the Group had a total of 24 employees in Hong Kong. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors' emoluments, amounted to approximately HK\$3,610,000 during the period under review (2007: approximately to HK\$3,132,000). Share options and bonuses are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group.

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

As at 30 September 2008, 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 5.67 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

<b>Name of Directors</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Approximately percentage of issued share capital</b>
Dr. Chan Chung	(Note)	177,785,861	37.6%
Mr. Chan Wai Kwong, Peter	Beneficial owner	4,064,036	0.9%
		<u>181,849,897</u>	<u>38.5%</u>

Notes: By virtue of the SFO, Dr. Chan Chung is deemed to be interested in the 177,785,861 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	Exercise price
						for the grant of the option	per share
						HK\$	HK\$
Dr. Chan Chung (Note)	Beneficial owner	27 March 2003	300,000	0.063%	9 May 2003 – 8 May 2013	1.00	0.103
		18 September 2006	4,728,113	1.000%	18 September 2006 – 17 September 2016	1.00	0.078
		12 February 2008	4,728,113	1.000%	12 February 2008 – 11 February 2018	1.00	0.191
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
			9,856,226	2.084%			

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 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.



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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 September 2008, 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	177,785,861	37.6%
Dr. Chan Chung	<i>(Note 1)</i>	177,785,861	37.6%
Vodatel Information Limited	Beneficial owner	94,573,696	20.0%
Vodatel Networks Holdings Limited ("Vodatel")	<i>(Note 2)</i>	94,573,696	20.0%
Go Capital Limited	Beneficial owner	31,902,233	6.7%
Culturecom Holdings Limited ("Culturecom")	<i>(Note 3)</i>	31,902,233	6.7%
UOB.com Pte Ltd	Beneficial owner	27,495,584	5.8%
United Overseas Bank Limited ("UOB")	<i>(Note 4)</i>	27,495,584	5.8%
			70.1%

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 177,785,861 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](http://www.hkgem.com). According to the latest interim report of Vodatel, as at 30 June 2008, 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](http://www.hkex.com.hk). According to the latest annual report of Culturecom, as at 31 March 2008, 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](http://www.sgx.com). According to the latest annual report of UOB, as at 31 December 2007, no person was interested or deemed to be interested in more than one-third of the then issued share capital of UOB.

## SHARE OPTIONS RULES

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

Pursuant to the Share Option Scheme and Pre-IPO Share Option Scheme, certain Directors and participants have been granted options to subscribe for shares. Details of the share options granted under the Share Option Scheme and Pre-IPO Share Option scheme outstanding as at 30 September 2008 are set out as below:

### Pre-IPO Share Option Scheme

Name	Date of grant	Number of Share Options				Outstanding as at 30 September 2008	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
		Outstanding as at 1 April 2008	Transferred during the period under review	Exercised during the period under review	Lapsed during the period under review					
<b>Executive Directors</b>										
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
<b>Other Participants</b>										
Employees in aggregate (Note)	27 March 2003	595,000	-	-	(102,500)	492,500	0.104%	9 May 2003 – 8 May 2013	1.00	0.103
	09 Feb 2007	1,045,000	-	(600,000)	(330,000)	115,000	0.024%	9 Feb 2007 – 8 Feb 2017	1.00	0.090
	12 Feb 2008	190,000	-	-	(110,000)	80,000	0.017%	12 Feb 2008 – 11 Feb 2018	1.00	0.191
<b>Business Consultant</b>										
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>(600,000)</u>	<u>(542,500)</u>	<u>1,387,500</u>	<u>0.292%</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	Outstanding as at 1 April 2008	Number of Share Options			Outstanding as at 30 September 2008	Approximate percentage of issued share capital	Option period	Consideration for the grant of the option HK\$	Exercise price per share HK\$
			Transferred during the period under review	Exercised during the period under review	Lapsed during the period under review					
<b>Executive Directors</b>										
Dr. Chan Chung	18 September 2006	4,728,113	-	-	-	4,728,113	0.999%	18 September 2006 – 17 September 2016	1.00	0.078
	12 February 2008	4,728,113	-	-	-	4,728,113	0.999%	12 February 2008 – 11 February 2018	1.00	0.191
		<u>9,456,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,456,226</u>	<u>1.998%</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.

## COMPETING INTERESTS

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.

## CORPORATE GOVERNANCE CODE COMPLIANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the six-month period except for the deviations from code provision A2.1 and A4.2 as detailed in the Corporate Governance Report included in the 2008 Annual Report that the roles of chairman and chief executive officer are performed by the same individual; and that the Chairman (who is also the founder and the largest shareholder of the Company) is not subject to retirement by rotation.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has complied with the GEM Listing Rules 5.48 to 5.67 regarding Directors' securities transactions and all Directors have complied with the required standard of dealings set out therein throughout the six-month period.

## AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members comprising all independent non-executive directors namely Mr. Jeffery Matthew Bistrong, Mr. Chu Chin Tai, Mr Chen Kwok Wang. The primary duties of the audit committee are to oversee that management (i) has maintained the reliability and integrity of the accounting policies and financial reporting and disclosure practices of the Company; (ii) has established and maintained processes to assure that an adequate system of internal control is functioning within the Company; and (iii) has established and maintained processes to assure compliance by the Company with all applicable laws, regulations and corporate policy. The audit committee has reviewed with the management this unaudited interim report for the six months end 30 September 2008 and has provided advice and comments thereon.

By Order of the Board

**Chan Chung**

*Chairman*

Hong Kong, 7 November 2008

*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.*